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COMPANIES & MARKETS
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Barclays Bank reforms its structure

By John Gapper, Banking Editor

Barclays, the UK bank, is to announce this week that it is creating a management group to handle relationships with large companies as part of reforms intended to bridge the divide between its commercial and investment banking arms.

Mr Martin Taylor, Barclays' new chief executive, is thought to have opted to replace the bank's divisional structure with a set of management groups based on different sets of the bank's customers.

The reform, the first implemented by Mr Taylor since his arrival in January, builds on changes under which the BZW investment banking division has taken charge of large corporate accounts in the US, Asia and Europe.

Mr Graham Pimlott, head of merchant banking within BZW, is expected to be appointed as head of the new corporate banking group. He is to report to Sir Peter Middleton, Barclays' deputy chairman, on the board.

Mr Taylor is also expected to announce measures to strengthen Barclays' central group function. This is intended to create a clear separation between the Barclays group, and the new set of management groups. Under the existing structure, created in 1991, Barclays tried to balance responsibilities between the executive chairman and the chief executives of its three divisions - BZW, banking and service businesses.

But Mr Taylor, who was recruited last year when Mr Andrew Buxton split the roles of chairman and chief executive, thinks the group function has been too weak, and the split between BZW and the banking division too strong.

Mr Taylor believes Barclays should model its structure around different groups of customers. The new large corporate banking group will try to sell a range of other services as well as lending money.

Barclays confirmed yesterday that Mr Buxton's basic pay is to rise by £50,000 to £350,000 ($511,000) this year, while Mr Alastair Robinson, who heads the banking division, will receive basic pay of £220,000, a rise of £30,000.

Santa Fe to float gold subsidiary

By Kenneth Gooding, Mining Correspondent

Santa Fe Pacific, the US railroad and pipeline group, is to float its gold subsidiary on the New York Stock Exchange on terms which value Santa Fe Gold Corporation at between $1.76bn and $2.1bn.

The gold business includes some of the US assets Hanson, the Anglo-American conglomerate, acquired with Consolidated Gold Fields of the UK and swapped last year for Santa Fe's coal and aggregate operations. That deal transformed Santa Fe Gold into the sixth-largest North American gold producer with an anticipated 1994 output of 900,000 troy ounces. It also has one of the biggest gold reserves in North America, amounting to 14.1m ounces.

Santa Fe Gold said at the weekend it would initially offer newly-created shares to raise between $243m and $279m which will be used to pay down debt of about $340m.

The parent group's holding will be diluted to 86.2 per cent as a result. It has received notification from the US Revenue Service that it can distribute the rest of Santa Fe Gold to shareholders tax free.

Analysts expect this to happen before the year-end, qualifying Santa Fe Gold for inclusion in the new Financial Times Gold Mines Index.

A syndicate of underwriters led by Goldman Sachs, Merrill Lynch, and SG Warburg will offer 12m Santa Fe Gold shares in the US while a further 6m shares will be offered internationally by those three underwriters plus JP Morgan, and Union Bank of Switzerland.

Shares will be priced between $13.50 and $15.50 each.

Santa Fe Gold has three mines in northern Nevada: Lone Tree, Mesquite and Twin Creeks (a combination of Hanson's Chimney Creek and Santa Fe's Rabbit Creek). It is one of the biggest holders of mineral rights in the western US ~ 7.2m acres in some of the most prospective regions, inherited from its parent.

Ms Lindsey Falconer, analyst at Ord Minnett, an affiliate of Jardine Fleming, said the market expects the offering to be priced at the top end of the indicated range. Santa Fe Gold was "a top quality North American senior producer and will be seen as a core holding in this group," she suggested.

Mr Richard Zitting, chairman and chief executive of Santa Fe Gold, said: "This step enables [the company] to access the gold equities market, an important source of capital which is available to other major gold companies."

Santa Fe is the second big gold offering to international investors this year; Ghana's Ashanti Goldfields is floated in London this week on terms expected to value it at $1.67bn.

Norma Cohen on a culture shift at the UK's largest fund management company

Staying in front in a time of change

Below a striking image from the world of sport runs the corporate message: "We have what it takes." The advertiser is Mercury Asset Management, the UK's largest fund management company.

What surprises is not the message itself but the fact that MAM feels the need, for the first time in its history, for this *kind of image-building* exercise. The move reflects two realities: that the fund management industry is undergoing fundamental change as long-term savings patterns shift and the fact that MAM itself faces growing competitive pressure in its core institutional UK pension fund accounts.

For blue-blooded MAM, 75 per cent owned by the investment bank, SG Warburg, these challenges are bringing a culture shift, if not culture shock. When Mr Richard Royds, managing director in charge of unit trusts, suggested sponsoring a financial news slot on radio two years ago, "Warburg people just about choked on their coffee," one MAM official recalls.

But MAM *increasingly* recognises that it must find new business, *beyond its solid base* in consistent, successful management of assets for UK pension fund trustees. "The UK institutional market is and will remain tremendously important to MAM," says Mr Hugh Stevenson, MAM's chairman. "But things change."

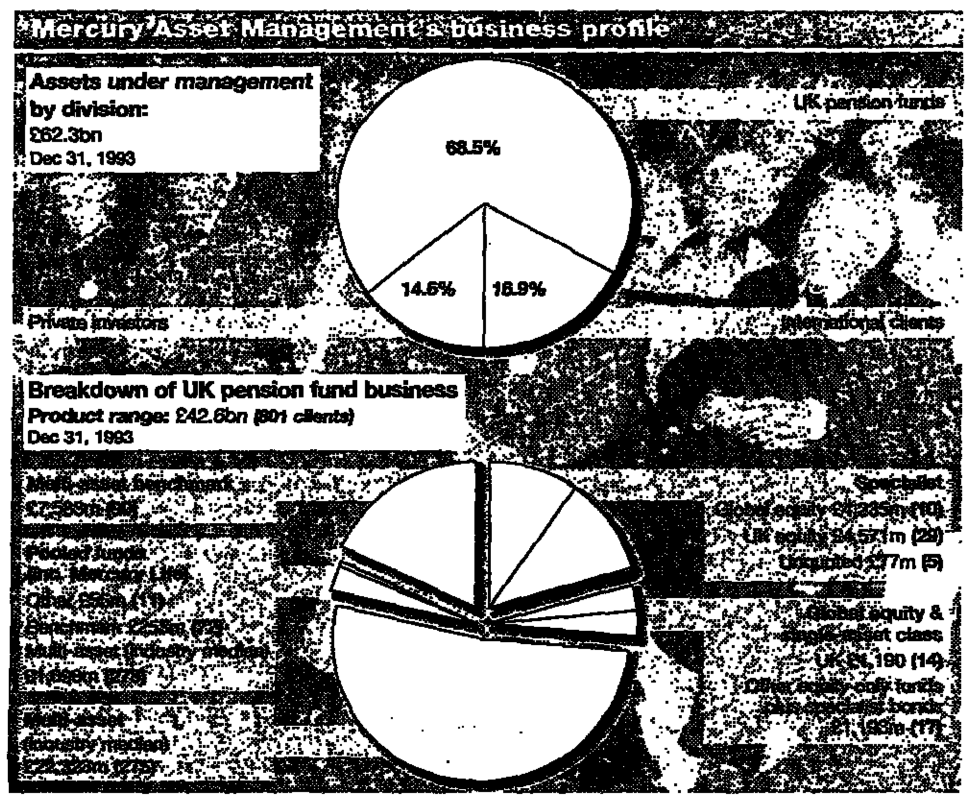
What Mr Stevenson forsees is a slow, but steady shift in UK pension fund provision. Instead of the traditional *defined-benefit scheme of pooled provision, where retirees* are entitled to receive a *percentage of their final salary* paid from a pension scheme, companies will increasingly offer so-called defined contribution schemes.

To this end, MAM last summer launched a new product, which incorporates sophisticated stock options techniques, through its Mercury Life subsidiary. The product is aimed at taking some risk out of money purchase pension *arrangements. The value of an individual's defined contribu*tion pension can be slashed by *a drop in stock and bond mar*kets in the years before retirement and MAM says its product will cut that risk.

The advertising campaign is all part of the process of reassuring pension scheme members that their money is in good hands.

"In a defined-benefit scheme, people feel much closer to their fund manager. It's their own little pot of money. It's increasingly *important that the per*son has a warm feeling about MAM," says Mr Stevenson. "*We want MAM to be a house*hold name," says Mr Colin Clark, a director of MAM's institutional business.

Indeed, over the past few years, MAM has been building its private client business, including a first foray into investment trusts. In 1993, MAM was ranked as the UK's sixth largest unit trust company, a jump of three places in the 18 months that Mr Steven*son has been in charge.*



Mr Stevenson, who had been a *director in the investment* banking division at SG Warburg and a MAM board member for many years, was considered by MAM insiders to be a peacemaking candidate to succeed Mr Peter Stormonth-Darling, who retired in 1992.

Former MAM officials said that the view inside the firm was that competition between *the two heirs-apparent to* Mr Stormont-Darling, Mr Stephen Zimmerman and Mr David Price, was too intense to allow either one to be appointed chairman. Rather than face defection or discord, MAM chose someone from outside its ruling inner circle.

While MAM officials dismiss talk of internal rifts, former *employees say it was clear that* among Mr Stevenson's main *tasks would be to keep the* company working as a successful unit.

By the end of March 1993, the last full year for which data is available, MAM had £35bn ($51bn) in UK pension fund assets under management, £6bn in retail funds which come from individuals and £9bn in international funds. Of that, the institutional money had only risen by 15 per *cent in the previous year*, while the retail assets had grown by 50 per cent.

By the time 1994 figures are released, the retail assets will have grown by a further 50 per cent, boosted by the launch of two of the UK's most successful investment trusts: the Mercury World Mining Trust and the Mercury European Privatisation Trust.

continued on next page

Atlantic Computers payout cancelled

By Vanessa Houlder, Property Correspondent

A planned payout to the creditors of Atlantic Computers has been cancelled, following news of an impending £1bn ($1.45bn) legal claim against the failed UK computer leasing company, its administrator said yesterday.

Mr John Soden of Price Waterhouse, Atlantic's administrator, said he was unable to proceed with plans to pay creditors a first dividend of 16 pence in the pound in June. Instead, payment was "unlikely to exceed a few pence in the pound".

A £1bn legal action against Atlantic Computers is being prepared by Ernst & Young, the administrators of British & Commonwealth, which collapsed in 1990 following the *failure of its Atlantic Comput*ers subsidiary. The writ is expected to allege that Atlantic Computers mis-stated its financial position when it was acquired for £407m in 1988.

The news of the impending writ has prompted the Atlantic Computer's administrator to serve a protective writ against Atlantic Computers' auditors Spicer and Pegler, now part of Touche Ross. Writs have also been issued against three former Atlantic directors. The purpose of the writs is to indemnify the Atlantic administrators if the B&C action succeeds.

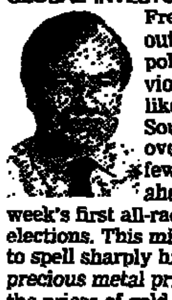
The legal action will come as a blow to creditors who have an estimated £400m of claims. Mr Soden said it could be "four or five years" before the legal action was resolved.

The move by B&C's administrators will dash hopes of a swift payout that were raised when Price Waterhouse recovered £70m of debt due from Atlantic Computer System, a US subsidiary company.

Markets this week

Starting on page 16

MARTIN DICKSON:
GLOBAL INVESTOR



Fresh outbreaks of political violence seem likely in South Africa over the next few days, ahead of next week's first all-race elections. This might appear to spell sharply higher *precious metal* prices. Yet the prices of gold and platinum have been notably subdued. Page 16

PETER NORMAN:
ECONOMICS NOTEBOOK

With new technologies transforming the global economy, the advanced industrial countries of the OECD are taking a renewed interest in *research and development*. Israel is showing what big *efforts can achieve*. Page 16

Bonds:
The Bundesbank's quarter point cut in its interest rates last week failed to bolster market confidence. The markets took the view that interest rates were close to bottoming. Page 18

Equities:
Hopes for a UK base rate cut are back in force following Friday's inflation figures. Page 19

Emerging markets:
The success of the Ghanaian public offer of the Ashanti privatisation on the Ghanaian stock exchange now seems assured. Page 17
Lex, Page 12

Currencies:
Foreign exchanges will focus on the effect of last week's cut in German rates. Page 25

STATISTICS

This week: Company news

CITICORP

Shareholders can look forward to a dividend

Citicorp *is expected to announce* later today that it will begin paying a dividend to shareholders again, finally putting behind it the traumas of the early 1980s.

The bank suspended its dividend in October 1991, four months before it was forced to enter a memorandum of understanding with banking regulators which imposed limits on its financial and operational flexibility. The memorandum was finally lifted last month, paving the way for a reinstatement of the dividend when the bank's board meets this afternoon in New York.

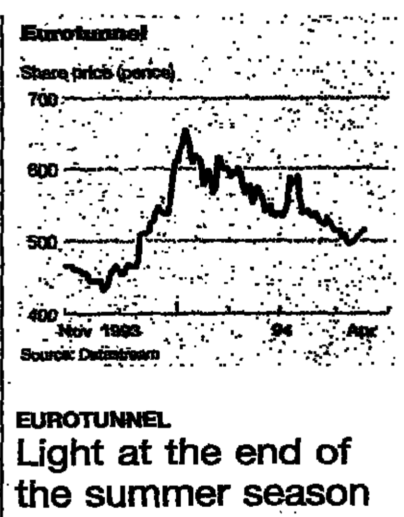
Though it still lags US competitors in terms of capital *strength, Citicorp* pushed its key tier one ratio above 6 per cent last year. If it matched other banks' pay-out policies, it could reinstate the dividend at around $1.50, says Mr Frank Suozo, banking analyst at SG Warburg in New York. He adds, *though, that* the bank is more likely to pay an initial 80 cents-$1, leaving it room for increase *in coming quarters*.

Like other big money centre banks, Citi will report first-quarter results on Tuesday, while several regionals announce figures today. The news is likely to be good on the credit side, with further reductions in underperforming assets.

Net interest margins are also expected to have held up well, while regional banks in particularly are likely to report a continued pick-up in loan demand.

The big question for the money centre banks, *though*: how have *their* trading activities held up in the face of turbulent financial markets?

JP Morgan, which reported last week, avoided any real disasters, though its trading revenues *still* fell by a fifth. Bankers Trust in particular will come under scrutiny: it relies more than most on the derivatives markets, and has been the subject of persistent rumours of trading losses.



EUROTUNNEL

Light at the end of the summer season

Delays to the start of rail services through the Channel tunnel will mean that Eurotunnel will have to rely on projections rather than hard figures when it unveils its results on Thursday.

A full freight and passenger service will not be running before September-October, *missing* the crucial summer season.

These delays are costing Eurotunnel tens of millions of pounds a month in lost fares and projected revenues of £224m ($327m) for this year now look hopelessly over-optimistic.

Nevertheless, *considerable progress* has been made towards resolving the myriad of disputes which have bedevilled the project. The ground has been cleared for a rights issue of up to £750m, probably matched by a similar amount of new bank loans, expected in May.

Eurotunnel's announcement that it plans to seek shareholder approval to increase the number of shares available for this issue has raised fears *that it* may be planning an even larger fund-raising or that it may be prepared *to offer shares at a deep* discount.

Hanging over the rights issue will be the unresolved questions about the tunnel's ability to attract the customers it needs to pay its way. Prospects for increased traffic look good *but avoiding* a price war will be more difficult.

OTHER COMPANIES

Analysts believe the worst is over for IBM

International Business Machines will report its first quarter results on Friday with investors anxious to hear whether the struggling computer manufacturer has achieved even a meagre net profit in what is traditionally its slowest sales period of the year.

The consensus on Wall Street is that *IBM should report net earnings* per share of about 8 cents, on revenues *of about $13bn for the quarter. This* would represent a turnaround from last year's first quarter when the company reported net losses of $399m or 70 cents per share after a charge of $114m for retirement health benefits.

Most analysts believe the worst is over for IBM. However, last week's disappointing results from Motorola, and heavy losses at Digital Equipment, have increased uncertainty about the high technology sector. Also this week Microsoft, Intel (today) and Compaq *Computer (Wednesday) report quarterly* figures. All must excel if they are to *live up to their reputations as the stars* of the computer industry.

■ Volvo: The Swedish carmaker holds its annual general meeting in Gothenburg on Wednesday with the promise that it will present *shareholders with its first* comprehensive strategy statement since plans to merge with *Renault* collapsed last December.

■ Deutsche Aerospace: The embattled aerospace division of Daimler Benz *will present 1993 results. The company* last year posted a net group loss of DM341m ($199m) and recently said it would cut a further 10,000 jobs.

■ *Aachener und Münchener* Beteiligungs: Germany's second largest insurance group, will report unconsolidated results. The company made a net profit of DM73.25m ($42.8m) in 1992 but the *outlook* for most of the AMB divisions is "not good". The share price has risen 62 per cent since early last year to DM1,215 but one analyst said this was "purely speculative".

■ Roche: Shares of most leading *pharmaceutical groups have sagged* in the past year under pressure from *governments for lower drug prices*, but those of the Swiss group have sailed briskly upwards. *Tomorrow* investors will learn if their bet has been a wise one as Roche, now the world's most highly valued pharmaceuticals groups, reveals its 1993 figures. Net income is expected to be at least 25 per cent higher than 1992's SFr1.9bn. ($1.3bn).

■ Peugeot Citroën: The French car manufacturer will announce results for 1993 on Thursday. Industry analysts are expecting a loss in the region of *FFr1.5bn ($250m) for the group*, reflecting the sharp contraction in the European automobile market last year.

■ GAN: Analysts have long been braced for a weak set of results on Tuesday when GAN, one of France's largest insurers, unveils its 1993 figures. *GAN has* been hit by the competitive state of the French insurance sector and by the exposure of its banking subsidiaries to the property market. Mr Tim Dawson, insurance analyst at *Lehman Brothers, anticipates* a recovery in net profits to around *FFr750m* ($129m) for 1993 from *1992's* dire total of FFr402m.

Companies in this issue

Fund managers moving to gilts, survey shows

By Conner Middelmann

An increasing number of UK fund managers are planning to reduce their cash positions, and a portion of those funds appears to be heading for the UK gilt market, the latest Smith New Court/Gallup survey of fund managers shows.

Whereas in March a balance of 17 per cent of fund managers planned to reduce their holdings of gilts, this has now been replaced by a balance of 10 per cent who are planning to increase their holdings.

This is the first time since September 1992 that the survey has shown a positive balance of managers planning to increase their gilt holdings.

However, the consensus forecast for the level of gilt yields does not imply much decline from current levels.

Redemption yields on high coupon 15-year gilts, which stood at 8 per cent at the time of the survey, are only expected to have fallen to 7.7 per cent in three months' time and to be at 7.8 per cent in a year's time, the survey shows.

During the recent bond market upheaval which pushed long-term yields in most markets sharply higher, many investors chose to keep out of the fray and put their funds into less volatile short-term cash instruments.

However, according to the survey, a balance of 27 per cent of fund managers now intend to reduce their cash positions, the largest recorded figure since last September.

Among new investments, Japanese equities continue to be the favourite asset class, though European and UK equities are also coming back into favour.

The balance of fund managers planning to increase their holdings of Japanese stocks remains very high, at 46 per cent, while a positive balance of 10 per cent of managers said they planned to increase their exposure to European equities.

The equivalent figure for UK equities has moved up to 20 per cent from the single-digit balances seen in the previous three months.

Gallup conducted the survey on April 11 and 12, polling 85 institutions which handle some £720bn of funds.

Sir Robert Clarke: received an increase of nearly 30 per cent

UB paid departing US head £932,000

By Peter Montagnon

United Biscuits paid a total of £932,000 to Mr Tom Garvin when he resigned as head of its US subsidiary Keebler last year, according to its annual report.

UB also confirmed in the report that it cut its contribution to the Conservative Party from £130,000 to £40,000.

Mr Garvin's departure followed a decision to refocus the US business after a fall in both margins and market share. UB announced restructuring charges of £92.5m for its US operations with its annual results last month. After reorganisation costs group pre-tax profits fell 28 per cent to £116.7m last year.

Mr Garvin's payment includes only £236,000 in cash, which is less than one year's salary. The remaining £696,000 consists of pension contributions to which he was entitled under the terms of his contract.

The report also showed that Sir Robert Clarke, UB's chairman who is due to become chairman of Thames Water, received an increase of nearly 30 per cent in his total remuneration. Though Sir Robert's basic salary remained unchanged at £439,000, his pension contributions rose to £299,000 from £127,000.

World futures dream hits reality

Laurie Morse considers Globex's options following the loss of CBoT

Friday's defection by the Chicago Board of Trade was a widely expected blow for Globex, the electronic futures trading system. Just how serious, though, remains uncertain.

While the CBoT's bond futures and options contracts are the largest in the world, they generated the least volume of any contract listed on Globex.

Conceived in 1987 but not launched until mid-1992, Globex was meant to be a worldwide, round-the-clock trading system that would list the all world's main futures contracts. Instead it has attracted only meagre volume. Only France's Matif has found a way to use the system profitably.

Globex was developed and is operated by Reuters, the financial information and news group. With the departure of the CBoT from the end of this month, only Matif and the Chicago Mercantile Exchange remain as Reuters' Globex partners.

Executives at Reuters and the CME say the CBoT's loss will be more than compensated for by Globex's expansion in Asia.

After long regulatory battles, Globex terminals are being installed in Hong Kong, Japan, and Singapore, which places Globex in the time zone that was its original target. Mr Jack Sandner, CME chairman and the chief executive of Globex, says he is optimistic he will persuade either Germany's DTB or London's Liffe to list contracts on Globex within the next 30 to 45 days.

Recently announced computer enhancements may also broaden the system's appeal.

However, the race to secure Globex's future will be short. Under the new governance agreement with Reuters, if the CME fails to trade 25,000 contracts per day on the system within a year, Reuters can terminate the deal and close Globex. In March, Globex's busiest month ever, the CME's average daily volume on the system was just 4,500 contracts.

Meanwhile Globex faces several challenges. Liffe is talking with the Tokyo International Financial Futures Exchange about offsetting trading arrangements for Euroyen futures, and has not completely closed the door to sharing trading rights to interest rate contracts with the CBoT.

The CBoT is also negotiating an alliance with New York-based Bloomberg Financial Markets to trade CBoT financial contracts on Bloomberg terminals after hours. Bloomberg, with a reputation for innovation and 37,000 subscribers worldwide, including 4,000 in Asia and 11,000 in Europe, would be a significant challenge to both Reuters and Globex.

Mr Michael Bloomberg, Bloomberg's president, said the arrangement would require additional software development, but that his system was "technically capable" of handling CBoT trades. However, the CBoT must gain regulatory approvals for the project in the US and all overseas trading locations, a process that could take years to complete.

The CBoT plans to list its financial products for after-hours trading on a local computer network sometime in July. Until then, the exchange's bond futures will be shut for a large portion of the Asian and European business day, increasing risk to CBoT customers during a period of interest rate volatility.

See Lex

Murray Johnstone to launch trust

By Andrew Bolger

Murray Johnstone, the Glasgow-based investment management group, is planning a new investment trust specialising in small UK companies to be known as Murray Acorn Trust.

The trust's size and the timing of the launch have not been settled, but the group said it intends to focus on quoted companies with a market capitalisation of less than £50m, of which there are about 1,100.

Murray Johnstone said prospects at the smaller end of the sector remained good. These companies were under-researched by stockbrokers and less widely owned by institutional investors, so the proposed fund could fulfil a useful role for both institutional and private investors.

Mr Alistair Stewart of Murray Johnstone said recent market wariness towards the continuing flood of new investment trusts was a concern, but he was confident of this sector's appeal.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Quebecor (Canada)	Arcata (US)	Book publishing	£139m	Continues US expansion
Finmeccanica(Italy)	Fischer & Porter (US)	Measuring equipment	£110m	Offer via Elsag Bailey
Nurdin & Peacock (US)	M6 (UK)	Wholesale distribution	£22m	Ireland's Fitzwilton selling
ICI (UK)	Decratrend (US)	Paints	£6.8m	Expanding local arm
Fugro McLelland(N'Lands)	Wimpol (UK)	Transport services	£5.4m	Wimpey sale
Wilshaw (UK)	Agripieces Sud-Ouest Distribution (France)	Distribution	£1.8m	Profit-related price
Seagram (Canada)	Rothbury (Australia)	Drinks	n/a	Stake expands wine interests
Foster Wheeler (US)	Fibrowatt (UK)	Electricity	n/a	Poultry power stake
Texaco(US)/Exxon(US)/ Amoco(US)/Norsk Hydro (Norway)	JV	Oil	n/a	Huge development venture
Faber Prest (UK)/ Nova Hut(Czech Republic)	JV	Steel	n/a	Leading slag move

MAM's culture shift

continued from previous page

However, there may be more to MAM's efforts to refocus the business than forward planning in a changing market. According to pensions consultants who advise trustees and therefore drive the institutional fund management business, MAM is no longer finding it so easy to draw in big institutional money. It needs new markets to retain its lead in domestic fund management.

In recent years, the company has been shaken by several well publicised defections, most notably that of one of its star fund managers, Mr Leonard Licht. But perhaps more damaging, consultants say, has been the less visible departure of some more junior fund managers, whose talent MAM needs to nurture to stay on top. Former MAM employees said that the inability of the company to promote some of its most ambitious staff because senior positions are unlikely to become available quickly had led to frustrations. Since Mr Stevenson's arrival, MAM has been making an effort to motivate and retain managers in this tier. For instance, senior MAM directors Mr Stephen Zimmerman and Ms Carol Galley devolved asset allocation and stock selection decision-making, allowing rising stars to test their mettle and share the glory.

Also, the consultants say, MAM has historically been weak on client servicing. "Their cuddle factor isn't a strong point," says one. "Clients respect them when they have good performance, but in their hearts they don't really like them."

This attitude has damaged MAM in some beauty parades. "We felt they were offering us a favour, not a service," says the administrator of one leading UK local authority superannuation fund who, after considering MAM, chose two other fund managers. MAM has recognised this shortcoming and greatly increased spending on client service.

In the mid-1980's when MAM was spectacularly outperforming its competitors, client servicing did not seem such a great issue. But in recent years, its overall performance, while generally above average, has not been as frothy as before, forcing MAM to pay closer attention to client care.

Indeed, pension consultants say that in 1993, MAM's funds which are measured by Combined Actuarial Performance Services, a performance measurement agency, had a median return of 28.8 per cent, marginally below the industry median of 29.2 per cent as measured by CAPS.

MAM's performance itself has become an issue, not because it is poor but because the company takes the unusual step of refusing to disclose the median return on the pools of money it manages.

Meanwhile, there has also been carping about the range of MAM's performance on balanced pools where the fund manager has full discretion over how assets are to be invested. Pension consultants say that MAM has a reputation for an unusually wide range of results by its different fund managers – a reputation which performance measurement agencies say is unfounded.

Mr John Williams, research analyst at WM Company, a performance measurement service, says that over a five-year period, the disparity amongst MAM's results, while not as narrow as that of some competitors, is "not out of line" with other large fund managers.

MAM officials bristle when questioned closely about their performance figures on balanced accounts. Mr Stevenson says MAM's business consists increasingly of "specialist" accounts, where the client determines the broad category of assets to be purchased and sets a performance benchmark to be met by the fund managers. Only accounts with the same benchmark should be measured against each other, he says.

MAM is not alone in seeking to refocus its strategy. The other three big UK pension fund managers, Schroders, PDFM and Gartmore, are also looking for ways to expand, either through new domestic products or by tapping international accounts. Privately, MAM's largest competitors concede they also are too reliant on a single product in a single market.

Mr Stevenson is confident that MAM will prosper in these new conditions. "Our strategy is to maintain ourselves as a growth company in a growth industry," he says.

COMPANIES AND FINANCE

Genentech profits more than doubled

By Martin Dickson in New York

Genentech, the San Francisco-based bio-technology group, reported first-quarter earnings more than doubled, thanks to initial sales of two new products and increased sales of products already on the market.

The company, in which Roche, the Swiss pharmaceutical group has a majority stake, reported earnings of $38.9m, or 33 cents a share, up from $14.3m, or 12 cents a share, in the same period of last year. Sales rose from $153m to $198.9m.

The figures, released on Friday, were below analysts' highest forecasts and the share fell $1¼ to $44½ on profit-taking.

The two new products launched in the quarter were Nutrpin, a human growth hormone, and Pulmozyme DNase for treating cystic fibrosis. Pulmozyme produced sales of $22.4m.

Sales of the group's two growth hormone products rose 3 per cent to $53.6m.

Sales of Activase, the clot-dissolving drug for heart treatment, rose 43 per cent to $70.2m.

● Upjohn, the pharmaceutical group, reported first-quarter net earnings of $135m, or 74 cents a share, compared with $133.4m, or 73 cents, in the same quarter last year.

Operating revenues totalled $915.9m, compared with $918.2m, while operating income fell from $183m to $168.6m.

Mr John Zabriskie, chairman, said the sales and earning performance had been achieved despite intense generic competition against several key products. There was a $68m drop in sales of the anti-anxiety agent, Xanax/alprazolam, due to increased generic competition.

● Warner-Lambert, the pharmaceuticals and healthcare products group, told an analysts' meeting on Friday that it expected to achieve a 5 per cent increase in earnings per share to $1.42, against $1.35 last year, when first-quarter results are released tomorrow. Sales should be up 11 per cent. Analysts' earnings expectations were pitched around $1.38 a share.

Mr Melvin Goodes, chairman, said that for the full year the company expected a double digit sales increase and an earnings gain of at least 8 per cent, excluding restructuring charges and accounting changes.

Groupe Schneider sees benefits of lower debt

By John Ridding in Paris

Groupe Schneider, the French electrical engineering and construction group, raised net profits by 33 per cent to FFr405m ($69.46m) last year as lower debts reduced financial charges and operating margins resisted Europe's recession.

The group, which was last year merged with SPEP, the holding company which is Schneider's principal shareholder, also expressed optimism about 1994. "The activity of the group should benefit from the gradual improvement in the European economy, from a clearer recovery in the US and from continued growth in Asia," the company said.

Last year's result was achieved on a decline in turnover from FFr59.66bn to FFr56.38bn. Most of the fall came from the Enterprise arm, which includes the three main activities of the loss-making Spie Batignolles division.

Losses at Spie Batignolles were reduced last year, from FFr275m in 1992 to FFr215m, reflecting the impact of cost-cutting measures introduced in 1992. Improvement was limited, however, by slower than anticipated sales of real estate.

According to Schneider, the principal factors behind the rise in profits were the reduction in debt and the resilience of profit margins. Net debts were reduced by about 40 per cent to FFr10.9bn at the end of the year, following the sale of non-strategic assets worth about FFr2bn.

Iberia in agreement with United Airlines

By Tom Burns in Madrid

Iberia, Spain's government-owned national airline, has announced a preliminary, wide-ranging commercial agreement with United Airlines.

The accord is modelled on the recent undertaking between the US carrier and Germany's Lufthansa to co-operate over flight routes, ticket sales and promotion.

The Iberia agreement will give United Airlines an increased share of the Latin American market, where American Airlines is the dominant US carrier.

The Spanish airline has built up a strong position in Latin America through its shareholdings in Aerolineas Argentinas, which is 85 per cent owned by Iberia, and in Chile's Ladeco and Venezuela's Viasa.

Iberia, which has sustained heavy losses in recent years, in part because of its Latin American investments, is likely to seek a participation by United Airlines in the Aerolineas shareholding.

Iberia said that it will also be downgrading its presence in Miami, where it operates a hub for Central American connections, and turning over most its business there to the US carrier.

The agreement will allow Iberia's transatlantic passengers access to the United Airlines network in the US and extend reciprocal services to United Airlines passengers travelling on to destinations in Southern Europe.

In this sense it complements the agreement with Lufthansa that is weighted towards the German airline's network of routes in Northern and Eastern Europe.

Full details of the Iberia-United Airlines pact, the first such international agreement ever undertaken by the Spanish airline, are due to be announced in June.

Iberia is, meanwhile, understood to be conducting negotiations over a possible sharing of European routes with Lufthansa, United Airlines' other European partner.

Digital Equipment losses raise questions of control

Louise Kehoe looks at the US computer group's shock decline

Hopes of a short-term recovery for Digital Equipment, once second only to International Business Machines in the computer market, have been dashed with the company's report of far larger than expected third-quarter losses.

Digital stunned investors on Friday by reporting third-quarter losses of $183.3m, or $1.34 a share, about four times higher than analysts' projections. Revenues fell 6 per cent to $3.26bn.

Worse, Mr Robert Palmer, president and chief executive of the computer company, acknowledged that he too had been taken by surprise by the "unacceptable" results, raising serious questions about financial controls.

Only nine months ago, Digital appeared to be on the road to recovery. After three years of heavy losses, the company reported a modest quarterly profit.

A broad restructuring, initiated by Mr Palmer soon after his appointment in 1992, was cutting costs, and a new line of computers based on Digital's powerful Alpha microprocessors promised revenue growth.

Optimism began to fade, however, as Digital reported losses for the first and second quarters of fiscal 1994 (ending in June). Now the heavy third-quarter losses have made it painfully clear that Digital's problems are far from being solved.

Confidence in Mr Palmer has been shaken. "There are no excuses" for the company's disappointing performance, he acknowledged. "In one critical dimension, that of profitability, we are not succeeding."

Like IBM, Digital is struggling to adapt to fundamental changes in the computer market. The company is in the midst of a product transition from its proprietary VAX minicomputers to a new generation of "open systems" products that adhere to industry software standards.

Digital's new "Alpha" products have been well received, with sales more than doubling from the second to third quarters. It has also made remarkable progress in the personal computer market, rising from the ranks of "also ran" to the Top 10 in the past two years.

It is apparent, however, that these successes have masked a sharp decline in gross profit margins on product sales, down almost 10 percentage points in the third quarter from the same period last year.

Gross margins on a new Alpha computer are 6 to 7 per cent lower than on a similarly priced VAX minicomputer, Mr Palmer explained.

Thus, as sales of the new products increase and those of the older VAX products decline, Digital's profit margins will continue to erode. Expanding PC sales, with even lower margins, are exacerbating the problem.

Digital's third-quarter results revealed another serious problem in its services business, which until now has provided a stable source of revenues and profits. Service revenues in the quarter fell 11 per cent to $1.5bn. As Digital's customers replace older equipment with more reliable products, particularly new data storage systems, demand for high-margin maintenance agreements is diminishing, Digital said.

Gross margins on the service business fell by 1.6 per cent in the third quarter, signalling that Digital's cushion against profit declines on product sales may be thinning.

Mr Palmer said that Digital will accelerate its current restructuring plans to cut costs, with 7,000 jobs now expected to be cut by the end of the fiscal year in June.

By then, he said, Digital will come up with a new restructuring plan, which will probably involve several thousand more job losses.

Digital's biggest challenge, however, is how to cut costs without slowing sales. The company has a far larger salesforce, in proportion to its revenues, than competitors, Mr Palmer acknowledged. Yet it cannot afford to cut back until alternative "indirect" sales channels, via third parties, have been established.

"If we move too fast to take out [people from] sales before we have developed indirect sales channels, the revenue is going to fall faster than the cost. This is not a happy outcome."

Yet Mr Palmer was clear that Digital "needs to move to a competitive cost structure as quickly as possible." He plans to present a new restructuring plan in June that "will not be insubstantial". Analysts expect Digital to cut up to another 20,000 jobs and take a write-off of about $1bn.

Austrian carton group to raise Sch3.2bn

By Patrick Blum in Vienna

Mayr-Melnhof (MM), the family-controlled Austrian carton board and packaging group, will raised about Sch3.2bn ($270m) through the planned flotation of the shares.

About 4.4m shares will be offered to investors at Sch720 per share, leaving the family with two thirds of the capital.

Three-quarters of the shares are expected to be placed internationally and the rest in Austria. MM is the leading European producer of recycled carton board, the second largest converter of folding cartons and holds a leading position in the waste paper industry in Austria and Germany.

The proceeds from the issue will help finance acquisitions and further expand the group's operations in Europe. MM has production facilities and subsidiaries in Germany, the Netherlands, Switzerland, France, and Britain, as well as in Austria.

The offer will be split between 4m ordinary shares, with another 400,000 shares reserved as options for the underwriters.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

1/2 hour ending	Pool purchase price £/MWh	Pool selling price £/MWh
0030	[illegible]	[illegible]
0100	[illegible]	[illegible]
0130	[illegible]	[illegible]
0200	[illegible]	[illegible]
0230	[illegible]	[illegible]
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0030	[illegible]	[illegible]
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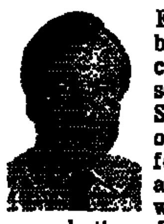
The Markets

THIS WEEK

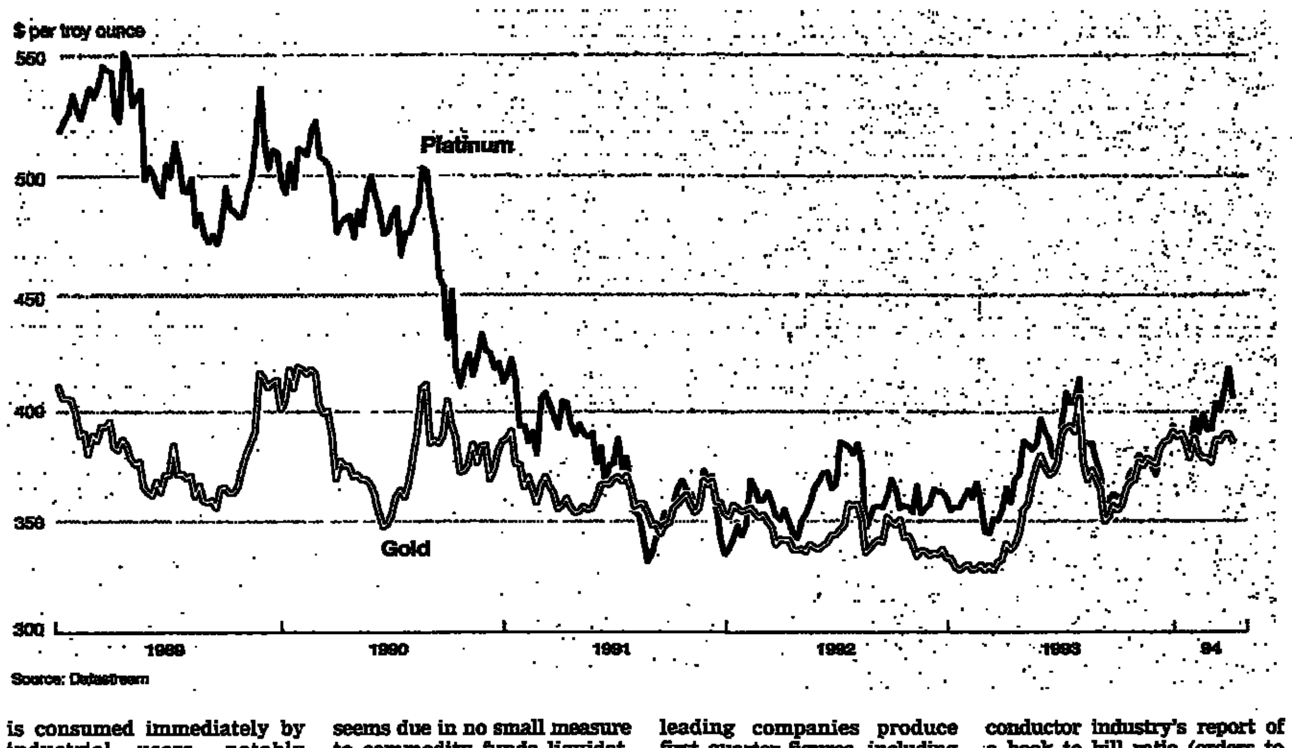
Global Investor / **Martin Dickson in New York**

Zulus and platinum prices



Fresh outbreaks of political violence seem likely in South Africa over the next few days, ahead of next week's first all-race elections. Zulus demanding tribal autonomy are promising mass protests in the streets of Johannesburg from today. The last time they did so 53 people died.

Such a turbulent political backdrop might appear to spell sharply higher precious metal prices. Yet as tension has mounted in South Africa over the past few weeks, and attempts to negotiate a settlement with the Zulus have failed, the prices of gold and platinum have been notably subdued.



Source: Datastream

Both enjoyed a brief run-up in early April but since then have fallen back, and expectations of a sustained surge over the coming weeks are probably misplaced, provided that Mr Nelson Mandela, the republic's leader in waiting, remains in good health.

South Africa now produces only 30 per cent of the world's gold, thanks to sharply rising output in Australia and the US, and newly mined gold only adds a small fraction to the world's supply of the metal, which is largely stockpiled. Temporarily South African supply problems need not, therefore, have a dramatic effect on prices.

South Africa's gold mines, moreover, which are nowhere near the worst political trouble spots in Natal province, are insulated by security cordons, and Zulus account for a very small percentage of their workforce. So any large disruption of supply is unlikely.

Platinum is a little different. South Africa produces 75 per cent of world supplies and the Soviet Union accounts for the bulk of the remainder. Most of the platinum mined each year is consumed immediately by industrial users, notably vehicle manufacturers for catalytic converters.

Its price is therefore closely tied to potential South African supply and the economic cycle, particularly in Japan, which accounts for about 55 per cent of global demand.

Mr Andy Smith at UBS in London considers that more than 70 per cent of changes in the spread between platinum and gold since 1986 can be explained by the discount of the financial Rand to the commercial Rand (a proxy for South African "supply shock") and by movements in the Nikkei stock index (a proxy for Japanese demand).

The sharp rise in platinum prices early this year may have been due partly to precautionary Japanese buying, but much of it seems to have been driven by commodity funds speculating in the futures markets.

The drop in the platinum price over the past few weeks seems due in no small measure to commodity funds liquidating their holdings ahead of the election, and there seem to be few fundamental reasons for a rapid rise.

The re-intregration of the Bophuthatswana homeland, a leading source of platinum, into South Africa in February removed the main risk to the Republic's supply. South African production of the metal is expanding, and so is recycling.

However while there may not be much sustained upward pressure on platinum prices over the next few months, 1995 and 1996 could be a different matter. By then, the Japanese economy should be well on the mend, and the honeymoon of South Africa's new multi-racial government could well be fading.

■ US technology stocks

This week could be a very bumpy one for US technology stocks as a raft of the sector's leading companies produce first quarter figures, including Intel and Microsoft (today) and IBM (Thursday).

Technology stocks have been among the US market's strongest performers recently but the sector has been in a nervous state since a sharp drop in prices across the board last week, when Wall Street took fright at what appeared to be a series of relatively innocuous events.

The primary catalyst was first quarter earnings from Motorola, which were 46 per cent up on last year, but 1 cent per share shy of Wall Street's mean expectation. The stock fell 10 per cent in two days, even though Motorola is one of the strongest companies in the sector. It has a broadly diversified product line and dominates the wireless communications market, which is set for explosive growth, both in the US and internationally.

The anxiety over Motorola was compounded by the semiconductor industry's report of a book to bill ratio (orders to product shipped) of 1.13 for March, which was healthy and unchanged from February. However it was below Wall Street expectations, which ranged as high as 1.2. On Friday Digital Equipment saw 20 per cent knocked off its share price when it reported losses which were much heavier than expected.

Digital, struggling to adapt belatedly to a shift in demand from large systems to personal computers, is something of a special case, and there is no obvious explanation for the market's general disenchantment with technology.

As much as anything, it seems to be due to the puncturing of excessively high expectations and fear that US industry's sharply increased spending on high technology capital equipment could start to reach a plateau.

Motorola, for example, seems to have been punished partly because it has established a tradition of consistently beating the market's earnings forecasts. Merely matching them is a disappointment, and that could spell trouble for other companies reporting less than stellar figures this week.

■ Corn and beans

The television news pictures have a depressing familiarity from last year. Heavy rains have again brought flooding to parts of the agricultural mid-west, reviving memories of last year's Mississippi floods, which sent the price of agricultural commodities sharply higher. So far, however, the deluge has had little effect on the price of corn and soybeans, the two crops most affected by the floods of 1993.

This is partly because planting has yet to start, but also because meteorologists are predicting that 1994 will not see a repetition of last year's severe flooding. The outbreaks so far are isolated and the forecasters are predicting normal precipitation over the next month.

Corn prices, which have risen more than 20 per cent since the start of 1993, and soybeans, up 13 per cent, look like remaining robust for the next few months. However if the meteorologists are correct they could come under substantial downward pressure as harvest time approaches.

That is because farmers are planning to plant nearly 140m acres of the crops this year, the highest in almost a decade, and the Federal government has put a one year hold on its programme under which farmers have to idle land to qualify for crop subsidies. It is anxious to rebuild grain stocks which have fallen to their lowest level since the 1970s because of last year's flooding.

Better harvests around the world mean that US exports of oilseeds, feed grains and wheat could be down 15 per cent this year, which should also put downward pressure on prices.

All this, of course, assumes the heavens do not stay open. But statistics are on the farmers' side. In the past century the mid-west has never had two torrential springs running.

■ South Korea

The South Korean Government, which sold an initial 10 per cent of state-owned Korea Telecom to domestic buyers last autumn, is due to auction another 5 per cent today and tomorrow under a plan to reduce its holding to 51 per cent by 1996.

Despite a strong supply of new offerings in the Seoul market, the issue is expected to sell well, given the company's commanding position in the sector and the very positive outlook for the Korean economy.

At a time when most emerging markets have been badly caught in the backwash of rising US interest rates, the Korean Composite stock market index is up nearly 3 per cent on the year and appears to be in the middle of a solid bull run, helped by sharply rising earnings and plentiful liquidity.

North Korean nuclear threats are a wild card, but could prove the blustering forerunner of reduced political tensions on the peninsula.

The problem for foreign investors is getting enough of the market, given Government restrictions on overseas stock ownership. However there are signs Seoul could ease controls in the second half of the year.

Total return in local currency to 14/4/94

	US	Japan	Germany	France	Italy	UK
	% change over period					
Cash						
Week	0.07	0.04	0.11	0.12	0.15	0.09
Month	0.30	0.20	0.51	0.53	0.70	0.44
Year	3.44	3.31	6.81	7.81	11.13	5.81
Bonds 3-5 year						
Week	-0.26	-0.06	0.11	0.08	-0.97	0.15
Month	-1.40	0.17	0.16	-0.29	-1.81	-1.72
Year	0.80	6.10	7.80	9.50	22.66	6.95
Bonds 7-10 year						
Week	-0.48	0.19	0.03	-0.05	1.37	0.01
Month	-2.55	1.57	-0.77	1.20	2.80	-3.27
Year	-0.58	7.35	7.25	10.08	32.65	7.80
Equities						
Week	1.2	-0.7	0.2	-0.3	5.2	0.1
Month	1.9	-3.4	23.2	8.7	37.7	18.1
Year	-4.3	-7.9	-2.9	7.3	1.5	-5.8

Best performing stocks from FT-A World Indices in local currency to 14/4/94

	Close	Week	Month	Year
		% change		
Bandar Raya Dev. (Mal)	3.80	31.6	-3.6	142.0
Golden Plus (Mal)	7.50	23.0	n.a.	0.5
Pilecon Engineering (Mal)	4.52	20.5	-3.2	61.4
Singapore Press (Sin)	17.3	17.3	6.2	53.2
CI Compagnie Ind. (Ita)	1,600	16.4	32.8	139.3
Wing Tai (Sin)	2.66	16.2	2.8	108
Ekran (Mal)	22.30	15.5	0.6	8.8
Fiat RNC (Ita)	4,185.00	15.3	38.8	39.0
Christaleria (Spa)	8,300.00	14.8	13.5	68.94
United Ind. Corp. (Mal)	1.20	14.3	0.9	27.7

Source: Cash & Bonds - Lehman Brothers. Equities - NatWest Securities. The FT-Actuaries World Indices are jointly owned by The Financial Times Limited, Goldman Sachs & Co. and NatWest Securities Limited.

Economics Notebook / **Peter Norman**

Harnessing brainpower to the demands of the market

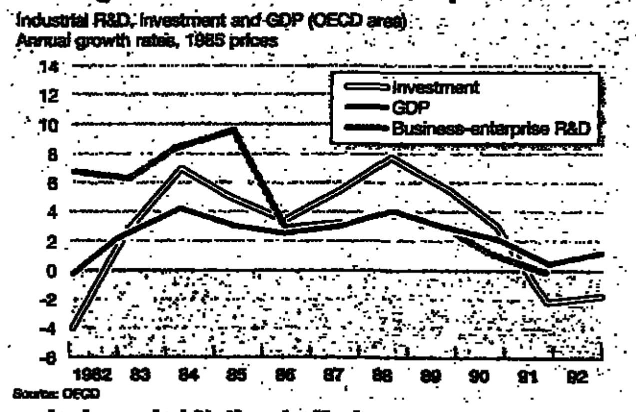
It is becoming a *cliché that* the most successful economies of tomorrow will be those which can best harness their brainpower to generate economic growth.

With the global economy being transformed by revolutionary changes in information and communications technologies and rapid progress in biotechnology, advanced automation and the development of new materials, it comes as no surprise that governments are taking a greater interest in research and development.

The Organisation for Economic Co-operation and Development, in its most recent annual review of its members' industrial policies, reported that many advanced industrialised nations have "placed renewed emphasis on the research and new product end of intangible investment" with the aim of expanding high-skilled job opportunities and economic growth.

Lower growth of research and development...

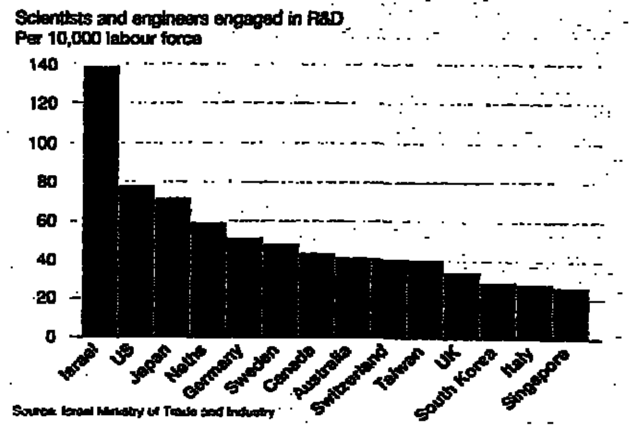
Industrial R&D, investment and GDP (OECD area)
Annual growth rates, 1985 prices



Source: OECD

...cloaks varied National efforts

Scientists and engineers engaged in R&D
Per 10,000 labour force



Source: Israel Ministry of Trade and Industry

In his February budget, Mr Paul Martin, the Canadian finance minister, announced a shake-up in research and development spending as a first step to creating a new national science and technology strategy. Australia, for many years a laggard in terms of research spending, has managed to generate rapid growth of business sector R&D through a special tax concession that was introduced in 1985 and confirmed in August 1992. In the US, according to the OECD, industrial policy is being focused to a large extent on the structure and quality of research and development and how it can be harnessed for civilian uses.

However, while it may seem obvious that technical progress should result in economic growth, it is not so clear from an economist's point of view. World Bank studies of east Asia have stressed the importance of other factors such as good basic education, flexible labour markets and government policies to encourage savings and infrastructure investment as ingredients in the rapid and sustained growth of countries in the region.

Technological progress was important but this took the form of the absorption and improvement of foreign knowledge rather than home grown research and development. Perhaps for this reason, the east Asian "tiger" economies of Singapore, South Korea and Taiwan appear fairly low down the international league table for scientists and engineers engaged in R&D, as shown in the accompanying illustration.

At the other extreme is Israel, which, in spite of being outside the OECD group of advanced industrial countries, has nearly twice as many people working on research and development per 10,000 of the labour force as the US or Japan. According to Israeli government figures, the country spends 3 per cent of its gross domestic product on research and development, which is more than the US or any of the other Group of Seven leading industrial countries.

To be sure, Israel is a special case. The country had to invest heavily in military R&D in the 1960s and 1970s to ensure its survival. On those foundations, it has developed a science-intensive industry that is especially geared to competing in export markets.

Government involvement has been considerable since 1985, when a law was passed to encourage industrial R&D. A government department – the Office of the Chief Scientist – disburses grants ranging from 20 to 66 per cent of approved R&D expenditures. Its annual budget doubled to $230m between 1990 and 1993, and spending is due to increase by a further 30 per cent this year.

The arrival since 1989 of 550,000 immigrants from the former Soviet Union has triggered a further official boost to research and development. More than a quarter of the new arrivals between 1990 and 1992 were scientists and technologists. To give these people useful employment, the government is supporting a network of technological "incubators" in which fledgling R&D companies are "adopted" and given logistical and administrative support by established institutions such as universities or research centres.

The state typically provides each project with about $100,000 a year for two years to cover the start up period when risks are very high. The incubators have more than 200 projects in hand. These employ more than 1,000 scientists and engineers of whom almost 80 per cent are new immigrants.

It is doubtful whether the Israeli system, with its special history, should be seen as a model for other countries. But it has achieved results. The Chief Scientist's income from royalties from commercially successful innovations is rising steadily: from $14m in 1990 to $32m last year. According to government figures, $4.5bn of a total of $8.8bn of manufactured exports in 1992 were products that had their origin in the country's R&D effort.

However, a successful research-based international trade performance depends on more than the amount of R&D spending. Research has to be geared to the demands of the market, a point that is underscored by Canada's proposed refocusing of R&D spending and its planned withdrawal from such prestige projects as a particle accelerator and international space station.

The ability to turn research-based products into manufactured goods is vital. The ability to mobilise capital from domestic and international sources to develop products is equally important. Marketing cannot be ignored.

The Israeli experience, however, seems to back up the OECD's argument that "expenditure on physical investment and on research and development in the business enterprise sector plays a crucial role in determining the relative competitiveness of countries in the medium and the long term".

In that case, the chart – showing how business sector R&D in the industrialised world has slowed – should give policy makers pause for thought. If, as the OECD maintains, there is now a renewed interest in R&D among its member countries, it is not before time.

EMERGING MARKETS: This Week

The Emerging Investor / Paul Adams

Ashanti Goldfields offer assured of success

A last-minute agreement to convert government liabilities to public sector workers into shares in Ashanti Goldfields Corporation seems to have assured the success of the Ghanaian public offer of the Ashanti flotation, the latest privatisation on the fast-growing Ghana stock exchange.

It is estimated that the conversion to shares of the government's debts to staff, dating back to the presidential elections in October 1992, has accounted for sales of $15m to $20m, while shares worth between $18m and $25m have been bought for cash by institutions and private investors.

Some 10,000 AGC employees are to receive five free shares each in the flotation.

Even the local element of the Ashanti flotation is so large that its effect on the Ghana stock exchange is hard to forecast.

The Ashanti shares to be offered exclusively to the Ghanaian market will be worth at least $68m, equivalent to 37 per cent of the Accra stock market's total capitalisation (about $180m at the end of March) prior to the flotation.

Since only 43 per cent of the market capitalisation is owned by Ghanaian public portfolio investors, the two local Ashanti offers will almost double the amount of shares which are actually available on the stock exchange.

The total initial value of Ashanti shares in the flotation is at least $358m. But the majority will be traded on the London stock exchange, and some Ghanaian investors may take a quick profit by selling Ashanti shares on the London market if they show a premium after dealing begins on Tuesday.

The first Ghanaian public offer makes up about 3 per cent of Ashanti's new capital. But priced at between $17 and $20 a share it is worth about 10 per cent of total bank liquidity in Ghana, a large amount of savings for a nation whose investors are mainly unfamiliar with the equity market.

A further 1.4 per cent of AGC stock will be open to Ghanaians in the fixed price offer in May.

Brokers are pleased with the outcome. "I think it was a clever move," said Mr Ken Offori-Atta, head of Databank Brokerage, which produces the Accra market share price index.

"It helps the government to achieve its objective of widening the investor base of this market, as there are over 100,000 civil servants who could have bought stock."

But Mr Miles Morland, of Blakeney Management in the UK, believes that the government, advised by James Capel and Morgan Grenfell in London, should have offered the local shares at a discount to the international price.

"The Ashanti flotation was tailored mostly for the big foreign institutions. But it could have created greater interest among the Ghanaian public, most of whom have not previously bought shares," he says. "Incentives were needed to attract domestic investors, which is what this market really needs to sustain growth."

That growth has been phenomenal.

The Databank index gained over 60 per cent last year in dollar terms. And in the first quarter of this year the index has risen by nearly 70 per cent after devaluation of the local currency, the cedi.

Leaders among the 15 listed stocks, including Kumasi Brewery, Mobil, Standard Chartered and Unilever, are putting on 5 per cent a week, according to Databank.

The rise is based partly on the profits growth of the 15 quoted companies, mostly subsidiaries of multinationals. It also reflects foreign investors' interest in an emerging market which is one of the few good prospects in sub-Saharan Africa.

In 1993 the profits of Standard Chartered Ghana rose by 70 per cent, showing the best return on capital anywhere in the banking group, while profits growth of Unilever Ghana was 33 per cent and Guinness Ghana 76 per cent.

Before the market became international last year, share prices in Ghana were well below net book value, with an average price earnings ratio of 8.7.

"Ghana is still one of the cheapest markets in the world and that is what will continue to attract foreign investors," said Mr Morland.

"But it needs a healthy domestic investor market, and that depends partly on whether the government can get the macro-economic management right."

The performance of the 15 listed companies tells only half the story.

As public spending rose out of control, finance minister Mr Kwesi Botchwey raised interest rates and is trying to bring down inflation. This in turn is squeezing the smaller companies which must form the basis of Ghana's expected economic growth. This has been underpinned by large inflows of aid sponsored by the IMF's backing for Ghana's stuctural adjustment programme and the country's recent political stability.

International investors took all of the $25m of government stock in seven listed companies which the state divested in a placing in February, handled by Databank and initiated by Blakeney Management.

The placing has been criticised because no stock was offered to Ghanaian investors, including the multinationals who held a large part of the other shares.

Databank argues that the deal gave the market a big lift when Ghanaian investors saw that offshore funds were prepared to invest that heavily. The government has accepted some of the criticism and is to offer the remaining $2m to $3m of shares in the seven stocks still in government hands to the public this week.

Under pressure from the World Bank, the government says it will speed up its privatisation programme and has retained UK consultants to help the Divestiture Implementation Committee.

Ten best performing stocks

Stock	Country	Friday close	Week on week change $	%
Yapi Ve Kredi Bankasi	Turkey	0.1113	0.0390	53.98
Aksa Akrilik Ve Kimya Sanayii	Turkey	0.8437	0.3159	50.22
Migros	Turkey	14.3682	4.4392	44.72
Kordsa	Turkey	0.2535	0.0725	40.05
Koc Yatirim	Turkey	1.6338	0.4221	34.84
Koc Holding	Turkey	1.1127	0.1930	20.98
Bank Internasional Indonesia	Indonesia	3.0570	0.4969	19.41
Alarko Holding	Turkey	0.5563	0.0892	19.09
Guney Biracilik	Turkey	1.0845	0.1648	17.92
Japfa Comfeed	Indonesia	1.3432	0.1984	17.12

Source: Baring Securities

Uncertainty dogs Polish market

Polish equity investors breathed a sigh of relief at the end of last week when price falls slowed on the Warsaw bourse following the removal of 10 per cent price limits in force since the exchange was established three years ago, writes Christopher Bobinski in Warsaw.

However, uncertainty remains as to what the market will do over the next two sessions when prices remain free before the limits are reintroduced.

The first day of free trading brought a 6.7 per cent fall in the WIG index, 63 per cent down from the market's March 8 peak.

Mr Andrzej Skowronski, the head of Elektrim, a listed company which has seen its market value shrink from 16,020bn zlotys to 8,580bn zlotys in the past four weeks and was planning to raise some $50m through a forthcoming rights issue to finance further purchases of state sector companies, said on Friday it was too early to reassess Elektrim's strategy. "But if we get less money from the issue then we'll simply buy less plants," he said.

News round-up

■ Hungary

Hungary today starts its mass privatisation programme with the opening of a public offering of state shares in Sopron brewery, Sorgyar, the country's third largest brewery, *writes Nicholas Denton in Budapest.*

The State Property Agency, the privatisation authority, is tendering its 37 per cent shareholding in Soproni, worth Ft1.9bn ($18m) at the issue price of Ft3,800 a share.

Two fifths of the issue, which is lead managed by brokerage CA Securities, is open to cash investors, including foreign institutions. But the largest tranche, three fifths of the entire amount, is reserved for sale to small investors on strongly preferential terms through Hungary's new "small shareholder programme".

The programme is open to adults paying a token Ft2,000 "entrance fee" and entitles them to buy shares worth up to Ft100,000 and spread payment over five years.

■ Mutual funds

The recent poor performance of many emerging markets appears to be dulling US investors' appetite for mutual funds which invest in developing countries, *writes Patrick Harverson in New York.* Last week, for example, Morgan Stanley postponed a $60m offering of shares in its new European Emerging Markets Fund, citing unfavourable market conditions.

This follows recent declines in prices of publicly-quoted emerging market country funds, including two – an Africa fund and an India fund – launched in February by Morgan Stanley that now trade at considerable discounts to net asset value.

■ Thailand

Thailand's Association of sub-brokers is to appeal to the stock exchange to lower the Bt350m ($14m) entrance fee it proposes to charge for each of the four new brokerage seats it is adding to the existing 40 seats, *writes William Barnes in Bangkok.*

The fee is nearly Bt50m more than previous controversial fees obtained when seats were distributed by competitive bidding, but stock exchange officials say the volume of trading has grown sharply.

CURRENCY MARKETS — Philip Gawith

Focus on lower German interest rates

Foreign exchanges are likely this week to be concerned with the impact of last Thursday's unexpected cut in official German interest rates.

Particular attention will be paid to the effect the easing of credit policy has on the repo rate, which the Bundesbank uses to set the level of German money market rates.

The pace at which Germany cuts rates is crucial in determining the pace at which other European countries can ease monetary policy.

Some analysts predict that the repo could fall to 5.6 per cent or lower, from 5.7 per cent, at this week's auction. Others believe that the Bundesbank is not moving fast enough in lowering rates.

Mr Paul Chertkow, head of global currency research at UBS, comments: "The Bundesbank's failure to signal any reduction in the key repurchase rate indicates a reluctance to accelerate the pace at which [it] is guiding money market interest rates lower."

The concern is that high German rates maintains pressure on former hard core ERM currencies, like France and Denmark, which have high unemployment and low inflation.

The Bank of France is expected to cut rates, assuming a decent fall in the German repo rate. Italian rates are also likely to come down once a new government is in office.

The Italian lira could, however, come under selling pressure if there are delays in forming a new government. A squabble last Friday about appointing the speaker in the senate led to lira sales.

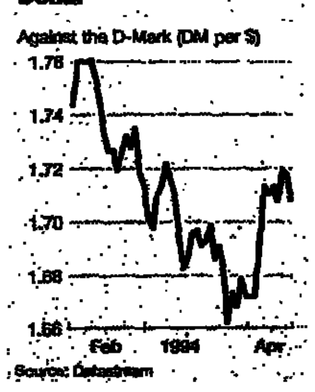
A number of important UK data will be released this week, including March retail sales, the CBI's distributive trades survey, unemployment and producer price inflation. The retail sales figure will be closely watched for any hint which it provides of the impact of tax rises on consumer spending.

Collectively, the data could provide support for a further lowering of rates in the UK, but few observers expect a rate cut before mid-May.

Attention will also be focused on the political turmoil in Japan. There is little clarity about who will be the new prime minister, or what the impact of change might be for financial markets.

Continued lack of progress in resolving the trade dispute with the US has led an increasing number of analysts to predict that the dollar will fall to record lows against the yen, below Y100.

The failure of concerted dollar purchases by the Bank of Japan, bolstered last week by the Bundesbank, to lend support to the US currency, has further soured sentiment.



Source: Datastream

Baring Securities emerging markets indices

Index	15/4/94	Week on week movement Actual	Percent	Month on month movement Actual	Percent	Year to date movement Actual	Percent
World (248)	150.90	-0.42	-0.27	-12.02	-7.38	-17.51	-10.39
Latin America							
Argentina (19)	103.44	-1.94	-1.84	-9.63	-8.52	-11.94	-10.35
Brazil (20)	155.60	-11.35	-6.80	-41.25	-20.96	15.95	11.42
Chile (12)	159.71	-2.29	-1.42	-12.04	-7.01	12.17	8.25
Mexico (24)	131.71	-3.90	-2.88	-13.43	-9.29	-30.10	-18.67
Latin America (75)	137.55	-5.31	-3.72	-19.82	-12.59	-11.70	-7.84
Europe							
Greece (14)	89.72	-1.07	-1.18	-11.40	-11.32	6.18	7.43
Portugal (14)	126.32	-0.53	-0.42	-3.21	-2.48	14.19	12.66
Turkey (22)	79.84	6.62	9.03	-10.36	-11.49	-81.87	-50.63
Europe (50)	103.69	0.70	0.68	-7.57	-6.80	-8.55	-7.62
Asia							
Indonesia (17)	143.25	4.34	3.13	-15.11	-9.54	-27.79	-16.25
Korea (23)	117.18	2.65	2.31	-6.71	-5.41	7.47	6.81
Malaysia (22)	211.13	13.08	6.61	4.58	2.22	-41.92	-16.57
Philippines (11)	262.79	11.25	4.47	9.02	3.56	-59.69	-18.51
Thailand (21)	211.42	12.37	8.21	5.41	2.62	-52.13	-19.78
Taiwan (29)	141.20	1.91	1.37	6.27	4.65	-12.51	-8.14
Asia (123)	190.03	6.97	4.95	2.25	1.20	-31.39	-14.18

All indices in $ terms, January 7th 1992=100. Source: Baring Securities

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, April 15, 1994. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	2507.50	1701.73	993.736	1641.89
Albania	(Lek)	161.95	109.906	64.1818	106.044
Algeria	(Dinar)	53.00(9)	35.9667	21.0042	34.704
Andorra	(Fr Fr)	8.6311	5.8575	3.4205	5.6515
	(Sp Peseta)	205.922	139.75	81.6082	134.836
Angola	(New Kwanza)	51476.50	34934.5	20400.5	33708.5
Antigua	(E Car $)	3.9758	2.6982	1.5758	2.6033
Argentina	(Peso)	1.4735	1	0.5839	0.9648
Aruba	(Florin)	2.6358	1.7888	1.0445	1.7259
Australia	(Aus $)	2.0378	1.3828	0.8075	1.3342
Austria	(Schilling)	17.7350	12.0359	7.0284	11.6127
Azores	(Port Escudo)	258.231	175.25	102.339	169.088
Bahamas	(Bahama $)	1.4735	1	0.5839	0.9648
Bahrain	(Dinar)	0.5556	0.377	0.2201	0.3638
Balearic Is	(Sp Peseta)	205.922	139.75	81.6082	134.836
Bangladesh	(Taka)	57.9823	39.35	22.9787	37.9664
Barbados	(Barb $)	2.9616	2.0099	1.1737	1.9392
Belgium	(Belg Fr)	51.9556	35.2599	20.5905	34.0201
Belize	(B $)	2.9450	1.9986	1.1671	1.9283
Benin	(CFA Fr)	863.110	585.755	342.058	565.158
Bermuda	(Bermudian $)	1.4735	1	0.5839	0.9648
Bhutan	(Ngultrum)	46.2182	31.3662	18.3165	30.2633
Bolivia	(Boliviano)	6.7634	4.59	2.6803	4.4286
Botswana	(Pula)	3.9247	2.6636	1.5553	2.5698
Brazil	(Cruzeiro Real)	1628.00	1104.85	645.187	1066
Brunei	(Brunei $)	2.3002	1.561	0.9115	1.5061
Bulgaria	(Lev)	78.05	52.9681	30.9317	51.1086
Burkina Faso	(CFA Fr)	863.110	585.755	342.056	565.158
Burma	(Kyat)	9.4750	6.4302	3.755	6.2041
Burundi	(Burundi Fr)	390.25(7)	264.848	154.659	255.535
Cambodia	(Riel)	5163.75	3497.82	2042.46	3374.84

WORLD BOND MARKETS: This Week

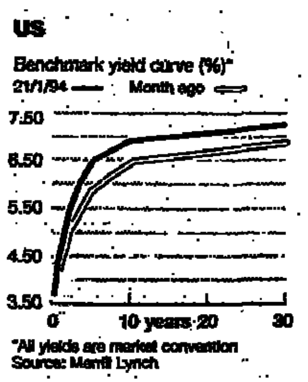
NEW YORK — Martin Dickson

The US credit markets are likely to be dominated this week by continued speculation over how rapidly, and by how much, the Federal Reserve will move to tighten monetary policy again.

There is a general expectation that the Fed will raise the Fed Funds rate from its current 3.5 per cent on May 17, at the next meeting of its policy-making Open Market Committee. Suggestions that it might move before then, however, have had an unsettling effect on the markets in recent days.

Treasury securities ended Friday mixed in sluggish trading after a front-page report in the New York Times said that the Fed was sending signals of another increase in short-term rates.

Since the market already knew this was the Fed's general intention, analysts wondered whether the prominence of the story indicated an earlier than expected rise.



However, the market took some comfort from industrial production and capacity utilisation figures for March, which came in as expected, and the benchmark 30-year Treasury issue closed the day unchanged, with a yield of 7.28, up from 7.25 the previous Friday.

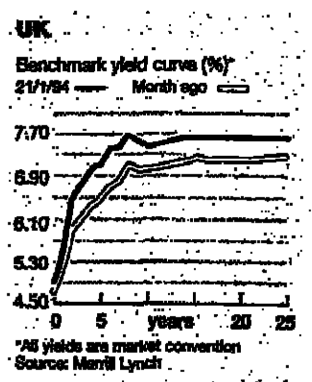
This week the market faces statistics on the trade balance on Tuesday, housing starts on Wednesday and the Federal Budget on Thursday.

LONDON — Philip Coggan

Friday's unexpectedly good inflation numbers and the news of a short-dated gilt auction will have increased hopes of a base rate cut as trading resumes this week.

According to Mr John Shepperd, chief economist at Yamaichi International (Europe), the inflation news, which saw the underlying rate falling to 2.4 per cent in March, fulfilled only one half of the conditions for a rate cut. Mr Kenneth Clarke, the chancellor, and Mr Eddie George, the governor of the Bank of England, will also want to see signs of a weakening recovery before they agree to a cut.

Such signs could emerge this week, as analysts pore over Wednesday's unemployment figures and Thursday's retail sales statistics. But the chancellor may have a narrow window of opportunity to cut rates if he wants to avoid being accused of a political move ahead of the May local, or June European, elections.



The short-dated auction also prompted speculation about a rate cut. Depending on timing, a cut would either boost the price of short-dated stock which had already been issued, or allow the Bank to achieve a lower financing cost.

Gilts seem to have steadied after the first quarter's falls. But a rally may require more evidence that the latest inflation figures are not just retrospective, but point to continued slow prices growth.

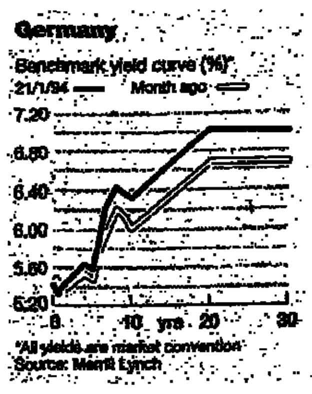
FRANKFURT — David Waller

Following the small interest rate cuts from the Bundesbank last Thursday – a quarter-point off both the Lombard and the discount rates, taking them to 6.5 and 5.5 per cent respectively – the bund market will this week focus on the March money supply figures.

As Mr Adolf Rosenstock of the Industrial Bank of Japan in Frankfurt put it, the chance to cut the whole interest rate salami will depend on the development of broad money growth in the months ahead.

If the M3 number for March, due to be published later in the week, turns out at less than 15 per cent, it is likely to be encouraging for the listless German government securities market.

"Only if the indicator of long-term performance does calm down again – that is, if M3 does not indicate a preponderant risk of resurgent inflation after 1995 – in conjunction with a strong economic recovery, will the



Bundesbank find scope for lowering rates more," Rosenstock argues.

The green light will only be given when the trend growth in M3 is back to around 7 per cent, he says. This would compare with the 4 to 6 per cent target for the year which was exceeded so dramatically in January and February, when M3 grew at 21.2 and 17.6 per cent respectively, on an annualised, seasonally-adjusted basis.

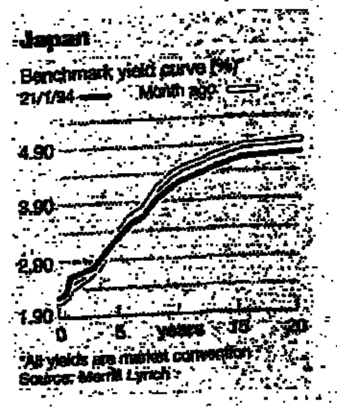
TOKYO — Emiko Terazono

The Japanese bond market is expected to be supported by activity from domestic institutional investors, which concluded their annual asset allocation meetings last week.

The recent rise in bond yields have made returns on the stock market seem low. Mr Toshiomu Uragami, chairman of the Life Insurance Association, last week revealed that most life assurers will maintain a cautious stance toward stock investment and will increase allocations to the domestic bond market.

Investors are likely to focus on February household spending data to be announced in the latter half of the week as the figures are likely to confirm the recent trend of growing consumer spending.

Meanwhile, political wrangling over the shape of the next government has had little impact on bond prices, since most investors reckon that whoever becomes the next prime minister after Mr Morihiro Hosokawa is unlikely



to change overall economic policy drastically.

Mr Mikio Fujii of Nomura Securities, says if Mr Michio Watanabe, former foreign minister, is chosen, the bond market may briefly fall since he is seen as a fiscal expansionist, but if Mr Tsutomu Hata is elected, the market may be in for a short rally since he was finance minister when the stock market plunged to a six-year low in 1992.

Capital & Credit / **Antonia Sharpe**

Bundesbank cuts get lukewarm reception

There are not many tricks the Bundesbank can learn from the Bank of England, but one useful lesson would have been to observe the unenthusiastic response which the UK gilts market gave to the quarter-point cut in UK base rates two months ago.

The German government bond market reacted in the same lukewarm fashion last Thursday when the Bundesbank cut a quarter-point from the discount rate to 5 per cent, and from the Lombard emergency funding rate to 6.5 per cent.

If the Bundesbank had hoped that the unexpected timing of the cuts and its optimistic statements about German money supply and inflation would bolster confidence in the German government bond market, then it failed dismally, analysts say.

"The main problem was that the Bundesbank only cut by 25 basis points rather than its usual 50 basis points," says Mr Reiner Back, head of fixed-income strategy at Deutsche Bank Research in Frankfurt. "The market took this as a sign that German interest rate cuts are petering out."

The market's perception that the current interest rate cycle is close to its bottom is reflected in the futures market, where Euro D-Mark contracts are discounting three-month money of 5 per cent by March 1995, down from 5⅛ per cent currently, but of 5⅛ per cent by December next year.

"This implies that there is another 50 basis point cut to come in the discount rate and then that's it," says Mr Thomas Mayer, senior economist at Goldman Sachs in Frankfurt.

Mr Kit Juckes, international economist at SG Warburg in London, believes investors are increasingly reluctant to buy bunds because of the question mark hanging over the durability of low German rates.

"Money-market rates look forward and therefore become detached from official rates," he says. For example, in March 1993 when the discount rate fell to 4 per cent, the bottom of that interest rate cycle, three-month money touched a low of 4¾ per cent.

However, by September it had returned to 6 per cent, even though the discount rate remained unchanged until the following June. "So what is the potential for German bond yields to improve from where they are already?" he asks.

The lack of investor appetite for bunds is also holding back the market, says Mr Mayer. The rise in US rates has made foreign investors less inclined to move into bunds while domestic investors, especially individuals, feel uncomfortable about buying bunds at current yield levels.

"The Bundesbank's small move will not unblock this situation since it was not enough to encourage investors to buy," says Mr Mayer.

The buyer's strike must be worrying the banks, whose holdings of bunds have skyrocketed since the start of the year, although last week's rate cuts should make these holdings cheaper to finance.

According to Bundesbank statistics, banks now own DM281.9bn worth of bunds, up from DM262.8bn at end-1993 and DM186.6bn at end-1992.

"The rise of DM20bn since the end of 1993 must surely have been involuntary since bund prices were falling," says Mr Mayer.

The rise in bund holdings could reflect the slowing demand for loans in Germany, analysts say, although it is likely that the banks would be keen to use any rise in bund prices to reduce their stockpile.

Mr Back says the positive outlook for inflation in Germany and the Bundesbank's decision to stick with a variable rate for its repurchase agreements should help to push bund yields lower. He forecasts that 10-year bund yields will fall below 6 per cent by the end of the year.

Now that the Bundesbank has restored a relatively wide spread between the discount rate and the repo rate, now at 5.70 per cent, it has room to cut between five and 10 basis points off the repo rate this week, analysts say.

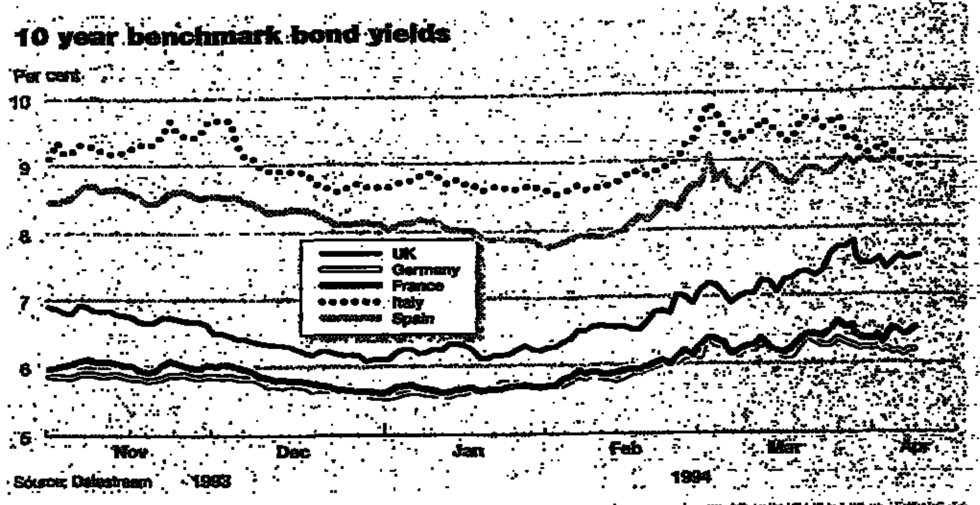
The Bundesbank's cuts last week were followed by rate cuts in Switzerland, Austria, Belgium, the Netherlands and Denmark and analysts believe that Italy, Spain and France will soon do the same.

However, it remains to be seen to what extent European bond markets can decouple from the US, where rates are heading higher.

Mr Ifty Islam, fixed-income analyst at Merrill Lynch in London, says the lack of significant buying since the start of the second quarter has made it difficult to get any momentum going. So, while it will be possible for the German market to decouple at the short end of the yield curve, it will be far more difficult at the long end.

Analysts say that if the Bundesbank wants to learn anything from the Bank of England, it should copy its recent decision to publish minutes of top-level meetings. If it did, the market would not be confused so frequently by conflicting statements from Bundesbank council members and would have a valuable insight into its inner workings.

But despite all its protestations of wanting to reduce volatility, perhaps the Bundesbank enjoys playing cat and mouse with the market.



BENCHMARK RATES AT A GLANCE

	USA	Japan	Germany	France	Italy	UK
Discount	3.00	1.75	5.00	7.00	[illegible]	[illegible]
Overnight	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Three month	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
One year	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Five year	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ten year	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	104-29	104-21	-0-01	104-29	104-07	[illegible]	[illegible]
Sep	103-22	103-23	-0-01	103-30	103-09	[illegible]	[illegible]
Dec	102-30	103-01	-0-01	103-07	102-20	[illegible]	[illegible]

UK GILTS PRICES

[illegible]

● 'Tap' stock. †† Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds. Weekly percentage changes are calculated on a Friday to Friday basis.

International / **Conner Middelmann**

Reversal seen in Ecu underperformance

Fixed-income analysts are exhorting investors to buy Ecu bonds, arguing that their underperformance during recent months of turbulence is about to be reversed.

"Ecu bonds are cheap," declares Mr Steve Major, senior bond analyst at Crédit Lyonnais Euro-Securities.

"We have a very rare situation which should make investors sit up and pay attention," echoes Mr Bob Tyley, senior strategist at Paribas Capital Markets.

What makes Ecu bonds so attractive, they say, is that their yield spread over German government bonds (bunds) has widened significantly. Similarly, the gap between theoretical and actual Ecu bond yields is now close to flat, and they expect the actual yield to recede below its theoretical counterpart in coming weeks.

The theoretical yield is the yield which would result from constructing a synthetic Ecu bond from the underlying constituent markets. The actual yield is that earned from Ecu bonds trading in the market.

On Friday, the theoretical 10-year Ecu yield stood at 7.01 per cent, compared with the 7.00 per cent actual yield on the benchmark Ecu bond. In a normal market, the actual yield tends to trade around 20 to 25 basis points through the theoretical yield.

Meanwhile, the 10-year Ecu benchmark yields about 60 to 65 basis points above its German counterpart, and analysts say it could narrow to around 30–40 basis points in coming months.

According to Mr Tyley, the sector's weakness is not due to negative factors pertaining to the market itself, but rather, to the Ecu having fallen by the wayside during recent bond market turbulence.

"In volatile market environments, the Ecu market tends to be neglected," he says. "Investors have enough to do trying to cope with the volatility in their domestic markets, before worrying about the Ecu."

Currency considerations are a further attraction, says Mr Major. If the dollar rises to DM1.80 over the next three to six months, the Ecu/D-Mark cross should rise to above DM1.95, from the current level of around DM1.9350, he says.

"This should provide the opportunity for a significant increase in total return for D-Mark-based investors and is a strong argument for increasing exposure to the Ecu sector."

Supply poses little threat, traders say. Last week saw Ecu1.2bn of Ecu Eurobond issuance, spurred by arbitrage opportunities and a slight increase in demand.

"We've seen some demand from investors – especially in the Far East – who want exposure to Europe but don't feel confident to pick individual European markets," said one trader.

Some say that massive Ecu bond redemptions will facilitate the absorption of new supply. Some Ecu4bn in bonds mature this year, and while those funds won't necessarily all flow back into the Ecu market, retail investors have a propensity to reinvest in the same currency, says Mr Tyley.

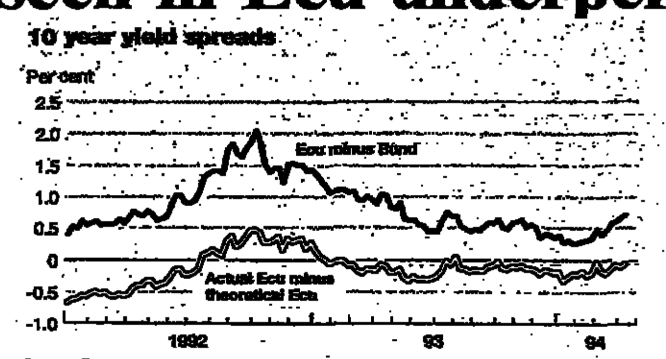
Nevertheless, many investors appear to be holding back in the face of more near-term issuance. "We've had some investor inquiries, but they know there's more supply" in the pipeline, reports Mr Hans Knol ten Bensel, Eurobond manager at Kredietbank in Brussels.

The UK is set to issue an estimated Ecu500m of 5⅛ per cent notes due 1997 tomorrow and Spain is rumoured to be planning an Ecu1bn–1.5bn bond over 10 to 15 years in coming weeks.

Moreover, investor confidence is still shaky, and likely to stay that way as long as uncertainty over the direction of US interest rates keeps bond markets jittery, says Mr Knol ten Bensel.

Until confidence in the longer end of the US and European yield curves revives, he expects investors to keep their money in short maturities, which stand to benefit most from further European interest rate cuts.

Meanwhile, a proposal floated late last year by the Commission of the European Union to issue bonds to finance European infrastructure projects, is dying a slow death after running into opposition from some EU member states. "The whole idea was not very well thought through and should be left to die its natural death," said a banking source. The EU expects to borrow about Ecu4.5bn this year for projects which have already been approved.



NEW INTERNATIONAL BOND ISSUES

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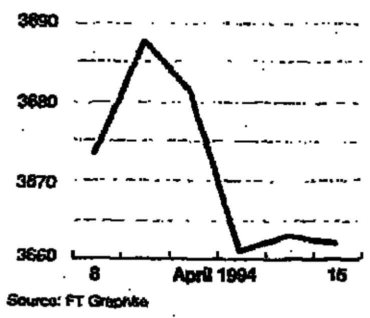
EQUITY MARKETS: This Week

NEW YORK — Frank McGurty

Continued stability in sight

Dow Jones Industrial Average



Source: FT Graphite

Wall Street investors may have put the rough seas behind them. After safely navigating the month's most important economic obstacles, especially the potential hazards of last week's inflation data, stocks are picking up fresh signals of stability from the catalytic bond market.

But a torrent of quarterly earnings to be released this week is sure to raise a ripple or two. Disappointments could even lead to sell-offs in a particular sector, as Motorola demonstrated last week when its results sparked a rout in technology stocks.

"With most of the major indicators now out of the way, I see the market continuing to stabilise," says Mr Peter Cardillo, director of research at Westfalia Investments.

Last week, share prices held fairly steady and activity returned to a measured pace after a fortnight of staggering volume and sharp swings in the key market indices. The bellwether Dow Jones Industrials finished with a net fall of 11 points on average daily NYSE volume of 271m shares, against 323m the previous week.

But the jitters which have dominated since the Federal Reserve tightened monetary policy for the second time on March 22 have not dissipated entirely.

"Investors have tied themselves in knots about the economy's strength, the inflation outlook and about the prospects of another Fed rate increase," says Mr James Solloway, chief investment strategist at Argus Research in New York. He believes the market is "extremely oversold" at present but doubts many investors agree with him.

Mr Solloway questions the perception among many analysts that the market's valuation remains excessive. Earnings and share prices are in line with historical levels when special charges for restructurings are excluded from corporate results, he argues.

Last Wednesday afternoon revealed the market's potential for upset. The NYSE's uptick rule, which restricts programme-guided selling, was tripped near mid-day when the Dow plummeted to a 50-point decline. The sudden drop came amid further weakness in the US Treasury market, in a pattern that has characterised the two-month-old "correction" in share prices.

Stocks were rattled because bonds had fallen despite tame consumer and producer price data. Traders were speculating that the Fed may raise interest rates on the heels of Friday's report on March capacity utilisation, which provides clues on long-term inflationary trends.

In the event, the data showed factories, mines and utilities had operated at 83.6 per cent of capacity, a slight gain which fell short of forecasts. The news cleared the way for two uneventful sessions to close out the week.

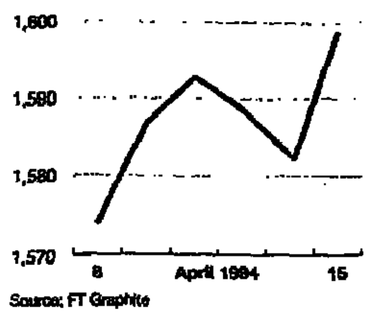
Mr Solloway sees the likelihood of continued choppiness until the anxieties over interest rates subside. There is no question the mood remains pessimistic, he says.

But even if the market falls anew, he is confident the worst is over.

LONDON — Terry Byland

Hope of early base rates cut revived

FT-SE-A All-Share Index



Source: FT Graphite

Hopes for an early cut in UK base rates are back in force following the March retail price index figures and the stock market faces this morning with more enthusiasm than for several weeks past. The recent correction appeared to blow itself out when the FT-SE 100 Index found support around 3,100. Since then, equities have tried to respond to good company news, in particular to a stream of dividend rises, but have been balked by erratic bond markets, which have been reacting feverishly to developments in the Bundesbank/US Federal Reserve dramas.

Setting aside the Bundesbank's success last week in wrong-footing markets and the anxiety over the accidental downing of US helicopters over Iraq, the international bond market scene has not changed significantly. The shift in sentiment has come at home, where the March inflation numbers are seen as providing credibility for the base rate cut which markets assume the UK chancellor of the exchequer would like to make.

Strauss Turnbull believes markets could be looking at annualised inflation of no more than 2 per cent by next month, opening the way for a cut of ½ per cent in interest rates, probably around the time of the local elections in May. Most analysts would be in agreement, although some would warn rates will be rising again by the second half of the year.

Dividend growth figures have received a further boost now the effects of the 1993 Budget reduction in advance corporation tax credit has dropped out of year-on-year data. Dividend growth is well on target for expectations of a 6 per cent increase for 1994, according to surveys of fund managers, or as much as 10 per cent, according to some analysts. These trends are expected to remain as strong in 1995.

The best performances have been seen in cyclical stocks as confidence in economic recovery has revived. Building and construction stocks are leading the market and have traditionally responded sharply to interest rate cuts at home and, in the case of several leading stocks, to rate cuts in Germany.

The oil sector is now moving powerfully as some, but not all, analysts begin to predict recovery in crude prices. With BP and Shell heavily-weighted components of market indices, the impact on market ratings of the rally in the oil sector will be significant.

However, any benefits to market indices of oil sector outperformance could be counter-balanced by uncertainty in the drugs/pharmaceutical sector. After a poor 1993, the first quarter has proved equally disappointing, with Glaxo underperforming the FT-A All-Share Index by nearly 11 per cent, Zeneca by over 7 per cent, Wellcome by nearly 6 per cent and SmithKline by about 2 per cent.

The damage to drug stocks originated from poor results from the US majors but has left the UK names highly vulnerable to specific developments.

Market recovery is likely to be highly selective.

OTHER MARKETS

ZURICH

A busy week is in prospect for the pharmaceutical sector. Ciba unveils first-quarter sales figures today and Roche full-year results tomorrow. Goldman Sachs expects 1993 net profits will be towards the top end of market expectations, which are for a 18–30 per cent rise. It adds that its own estimate of SFr2.39bn, which would represent a 24.6 per cent increase, may well be exceeded by SFr50–60m. On Wednesday, Sandoz details 1993 figures and announces first-quarter sales for the current year.

PARIS

Peugeot Citroën announces 1993 results on Thursday. Kleinwort Benson forecasts a loss of about FFr1.6bn. But it expects the group to report earnings of FFr1.57bn in 1994 as a result of its restructuring measures, the success of its new models, notably the Xantia and the 306, and the slight improvement expected in the French economy. It also expects the group to continue to outperform the market in coming months.

The Euro Disney banks expect to finalise their FFr13bn rescue package to salvage the troubled leisure group by the end of the week.

AMSTERDAM

Nedlloyd, the Dutch shipping and road haulage group which has been one of the Dutch stock market's best performers in recent months, reports full-year figures on Thursday. The group, which suffered a Fl 116m loss at the half-way stage, said then that there would be a clear improvement in the second half, although the figures would remain negative.

MILAN

Extension of the pre-opening session on the Milan bourse to 10.30am from the current 10.00am takes effect from today, along with other measures agreed last week in an attempt to ease pressure on the computer system, which has struggled to cope with the recent flood of orders. The new regime includes alterations to accepted bid/sell ranges for shares and rules on grouping of share orders.

TOKYO

Concern over the political situation continues, although the view is growing that there will be no great change in economic policy, whoever becomes the next prime minister. Investors are more likely to focus on the yen and fluctuating global markets.

RISK & REWARD

End-users left behind by change in derivatives

News of further corporate losses on derivatives in the last few days has reawakened concerns about the way companies use these complex financial instruments.

Last week, Procter & Gamble, the US consumer products company, took a $100m after-tax hit on two "geared" swaps. In Japan, Kashima, a privately held oil company, admitted it had accumulated a massive Y150bn loss on currency derivatives.

Only a few months ago, the German industrial giant Metallgesellschaft had to seek help from its banks after losing around $1bn on oil derivatives trades by a subsidiary.

In the light of the recent spate of losses, the Group of Thirty's survey of practices among dealers end-users makes interesting reading.

The G30 survey was conducted a year ago, and formed the basis of the Washington-based think-tank's detailed recommendations on tracking and controlling derivatives.

The survey has just been published, and although some progress in implementing the G30 recommendations may have been made, the findings suggest that the speed of the market's development has in some cases left behind less sophisticated end-users.

The end-users surveyed are mainly companies, or public sector entities, with only a small proportion – 3 per cent – of institutional investors.

According to the survey, 29 per cent of end-users said there was little understanding of derivatives at board level. While 53 per cent claimed "a sufficient understanding relative to the use of derivatives" by their organisation, only 18 per cent felt there was a good understanding.

More encouraging was the finding that 39 per cent of end-users had at least one board member with relevant on-the-job derivatives experience.

However, below board level, 29 per cent said there was no organised training available to management on how derivatives can be used and should be managed.

The survey also showed up some weakness in the support functions, where 21 per cent felt the training provided was not adequate to ensure that business is conducted effectively.

The findings among derivatives dealers themselves also left some room for concern: 65 per cent said that their board of directors had some knowledge, but there was a heavy reliance on the next level of management.

However, in one important area – the level of disclosure in public financial statements – end-users are leading the way: 58 per cent state the total notional amount of derivatives outstanding, and 51 per cent divide it by product type.

Among the dealer community, this falls to 36 and 40 per cent respectively. However, since the survey was conducted, there have been notable advances led by the US banks, but filtering down to the normally secretive German banks – perhaps in an attempt to forestall the regulatory enforcement of such disclosure.

Another interesting revelation from the end-users is their heavy concentration on over-the-counter derivatives: 92 per cent said they use OTC more than exchange-traded derivatives.

Although the survey reveals some areas for concern, perhaps the most interesting finding was the extent to which derivatives are now viewed by end-users as an essential tool for risk management, aside from any position-taking or profit-earning aims.

All the end users surveyed described the value of derivatives as important, very important or even imperative (42 per cent); not one said they were of little value or not very important.

Tracy Corrigan

INDICES AT A GLANCE

	Closing price	Percentage Change: Over week	On 12 months	Since Jan 1	12 month High		12 month Low		1994 High		1994 Low	
FT-SE 100	3,168.30	+1.5	+11.6	-7.3	3,520.30	2/2/94	2,786.30	6/5/93	3,520.30	2/2/94	3,086.40	31/3/94
Dow Jones Ind.	3661.47	-0.3	+5.9	-2.5	3,978.36	31/1/94	3,398.47	26/4/93	3,978.36	31/1/94	3,593.35	4/4/94
Nikkei	20,164.53	+1.2	-2.5	+15.8	21,148.11	13/9/93	16,078.71	29/11/93	20,677.77	18/3/94	17,369.74	4/1/94
Dax	2,200.42	-0.1	+31.4	-2.9	2,267.98	3/1/94	1,603.04	24/5/93	2,267.98	3/1/94	2,020.33	2/3/94
CAC 40	2,159.59	+2.1	+8.8	-4.8	2,355.93	2/2/94	1,835.72	17/5/93	2,355.93	2/2/94	2,081.94	31/3/94
Banca Com. Ital.	800.32	+5.8	+57.4	+29.2	800.50	12/4/94	508.01	16/6/93	800.50	12/4/94	588.85	10/1/94

Source: FT Graphite

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Apr 15 / Sch) · BELGIUM/LUXEMBOURG (Apr 15 / Frs.) · DENMARK (Apr 15 / Kr) · FINLAND (Apr 15 / Mks) · FRANCE (Apr 15 / Frs.) · GERMANY (Apr 15 / Dm.) · ITALY (Apr 15 / Lire) · NETHERLANDS (Apr 15 / Fls.) · NORWAY (Apr 15 / Kroner) · SPAIN (Apr 15 / Pts.) · SWEDEN (Apr 15 / Kronor) · SWITZERLAND (Apr 15 / Frs.)

PACIFIC

JAPAN (Apr 15 / Yen) · AUSTRALIA (Apr 15 / Aust$) · HONG KONG (Apr 15 / H.K.$) · MALAYSIA (Apr 15 / MYR) · SINGAPORE (Apr 15 / S$)

NORTH AMERICA

CANADA — TORONTO (Apr 15 / Can $) 4 pm close · MONTREAL (Apr 15 / Can $) 4 pm close

AFRICA

SOUTH AFRICA (Apr 15 / Rand)

[illegible]

■ TOKYO - MOST ACTIVE STOCKS: Friday, April 15, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Isuzu Motors	8.7m	502	+14	Oki Electric	5.7m	626	+21
Hitachi	8.0m	978	+4	Nippon Steel	5.7m	350	+4
Kawasaki Steel	6.8m	375	+5	Denki Kagaku	4.5m	414	+4
Fujitsu	6.0m	1040	+10	Fuji Heavy Ind	4.5m	418	+4
NEC	5.8m	1150	+20	M'bishi Heavy	4.0m	680	+4

INDICES

	Apr 15	Apr 14	Apr 13	1994 High		1994 Low	
Argentina							
General (29/12/77)	18745.31	18796.14	18850.97	25478.40	18/2	17832.92	4/4
Australia							
All Ordinaries(1/1/80)	2080.6	2095.0	2111.2	2340.60	3/2	2058.00	5/4
All Mining(1/1/80)	991.5	1001.1	1007.1	1136.10	3/2	988.70	4/3
Austria							
Credit Aktien(30/12/84)	432.50	431.55	433.19	480.88	2/2	429.00	5/4
Traded Index(2/1/91)	1133.08	1129.94	1132.68	1222.25	1/2	1113.57	5/4
Belgium							
BEL20 (1/1/91)	1485.20	1483.56	1488.87†	1542.65	9/2	1462.76	30/3
Brazil							
Bovespa (29/12/83)	14434.0	15062.0	15527.0	18896.00	11/4	3809.80	3/1
Canada							
Metals Minls♦(1975)	3387.95	3470.02	3476.43	3879.59	18/3	3387.95	15/4
Composite♦ (1975)	4240.0	4254.85	4248.80	4608.90	23/3	4230.10	4/4
Portfolio§§ (4/1/83)	1968.50	1965.32	1984.73	2182.89	1/2	1964.73	13/4
Chile							
IPGA Gen (31/12/80)	4108.1	4044.7	4046.3	4867.80	4/2	3801.28	4/4
Denmark							
CopenhagenSE(3/1/83)	375.90	378.09	381.68	415.79	2/2	370.74	3/1
Finland							
HEX General(28/12/90)	1835.4	1842.6	1849.5	1972.00	4/2	1801.10	3/1
France							
SBF 250 (31/12/90)	1450.29	1443.38	1450.32	1586.20	2/2	1418.37	30/3
CAC 40(31/12/87)	2159.59	2139.06	2152.36	2355.93	2/2	2081.94	31/3
Germany							
FAZ Aktien(31/12/58)	837.14	837.17	836.66	855.67	4/1	776.33	2/3
Commerzbank(1/12/53)	2393.2	2391.3	2390.2	2459.00	4/1	2221.20	2/3
DAX (30/12/87)‡	2200.42	2198.71	2209.19	2267.98	3/1	2020.33	2/3
Greece							
Athens SE(31/12/80)	974.18	960.48	962.82	1194.58	18/1	954.38	12/4
Hong Kong							
Hang Seng(31/7/64)	9536.06	9600.63	9753.76	12201.09	4/1	8867.93	21/3
India							
BSE Sens.(1979)	3895.1	(c)	3944.5	4287.90	28/2	3454.08	5/1
Indonesia							
Jakarta Comp.(10/8/82)	472.65	467.28	482.37	612.89	5/1	458.91	11/4
Ireland							
ISEQ Overall(4/1/88)	1852.04	1848.48	1850.47	2082.16	20/1	1801.98	5/4
Italy							
Banca Comm Ital (1972)	787.12	788.76	789.76	800.59	12/4	590.65	10/1
MIB General (4/1/94)	1291.0	1285.0†	1271.0	1291.00	12/4	944.00	10/1
Japan							
Nikkei 225 (16/5/49)	20164.63	19987.20	20060.41	20677.77	16/3	17369.74	4/1
Nikkei 300 (1/10/82)	299.43	297.39	298.35	304.25	1/3	268.22	4/1
Topix (4/1/68)	1635.12	1623.48	1618.89	1653.27	16/3	1445.97	4/1
2nd Section (4/1/68)	2270.84	2251.58	2238.40	2270.84	15/4	1873.33	4/1
Malaysia							
KLSE Comp.(4/4/86)	1033.66	1021.30	1029.45	1314.46	5/1	928.33	4/4
Mexico							
IPC (Nov 1978)	(u)	2206.51	2189.80	2881.17	8/2	2189.69	13/4
Netherland							
CBS TtlRtnGen(End 83)	442.6	439.0	438.9	464.90	31/1	417.40	5/4
CBS All Shr (End 83)	286.6	284.3	284.3	294.80	31/1	268.00	31/3
New Zealand							
Cap. 40 (1/7/86)	2125.14	2123.55	2145.49	2439.84	3/2	2049.17	5/4
Norway							
Oslo SE(Ind)(2/1/83)	1133.18	1136.29	1149.12	1211.10	28/2	1072.67	3/1
Philippines							
Manila Comp (2/1/85)	2769.42	2758.50	2695.71	3308.37	4/1	2507.33	9/3
Portugal							
BTA (1977)	3119.5	3111.3	3101.7	3228.80	18/2	2819.90	3/1
Singapore							
SES All-S'pore(2/4/75)	559.92	560.04	559.32	641.61	4/1	523.29	4/4
South Africa							
JSE Gold (28/9/78)	1941.0♥	1954.0	1986.0	2331.00	4/1	1749.80	14/2
JSE Ind. (28/9/78)	5732.0♥	5706.0	5751.0	6140.00	18/3	5446.00	19/1
South Korea							
KoreaCompEx(4/1/80)**	883.48	883.52	882.33	974.28	2/2	855.37	2/4
Spain							
Madrid SE (30/12/85)	318.86	321.64	325.29	368.31	31/1	310.18	4/4
Sweden							
AffarsvardsGen (1/2/37)	1464.8	1472.7	1497.8	1603.90	31/1	1403.60	31/3
Switzerland							
Swiss Bk Ind (31/12/58)	1352.85	1343.10	1352.94	1423.34	31/1	1288.64	2/3
SBC General (1/4/87)	1004.12	996.07	1005.48	1083.29	31/1	973.36	2/3
Taiwan							
WeightedPr (30/6/66)**	5592.90	5461.99	5453.14	6454.52	6/1	5794.83	19/3
Thailand							
Bangkok SET (30/4/75)	1282.16	(c)	(c)	1753.73	4/1	1188.59	4/4
Turkey							
Istanbul Cmp.(Jan 1986)	22581.0	22104.3	20759.4	28883.80	13/1	12988.70	24/3
WORLD							
MS Capital Int (1/1/70)§	610.1*	608.2	603.1	641.00	1/2	590.60	4/4
CROSS-BORDER							
Eurotrack 100(26/10/90)	1471.48	1467.07	1476.04	1548.19	31/1	1383.80	2/3
Euro Top-100 (26/6/90)	1265.38	1259.38	1265.44	1311.01	2/2	1202.49	2/3
JCapelDrgns (31/12/88)	(u)	317.39	320.20	365.19	5/1	298.28	21/3
Barings Emerg.(7/1/92)	150.90	151.23	153.77	182.72	14/2	147.36	5/4

** Sat Apr 9 : Taiwan Weighted Price 5565.84; Korea Comp Ex 883.42. Base values of all indices are 100 except Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7, JSE 26 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Apr 15 - 2211.92 +13.69

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Apr	2155.0	2166.0	+23.6	2185.0	2139.0	16,879	26,247
May	2151.5	2165.5	+22.5	2165.0	2138.5	2,587	9,683
Jun	2134.0	248.55	+23.0	2143.0	2122.0	1,262	23,853

Open interest figures for previous day.

US INDICES

Dow Jones	Apr 15	Apr 14	Apr 13	1994 High	1994 Low	Since compilation High	Since compilation Low
Industrials	3661.47	3663.25	3661.47	3978.36 (31/1)	3593.35 (4/4)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	99.28	99.27	99.37	105.61 (21/1)	99.27 (14/4)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1610.25	1608.70	1618.41	1862.29 (2/2)	1606.94 (4/4)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	194.24	194.04	193.78	227.86 (3/1)	182.89 (4/4)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3699.24 (3693.58) Low 3631.13 (3625.77) (Theoretical♦)
Day's high 3679.31 (3674.55) Low 3656.41 (3641.24) (Actual♦)

Standard and Poors	Apr 15	Apr 14	Apr 13	1994 High	1994 Low	Since compilation High	Since compilation Low
Composite ‡	446.18	446.88†	446.26	482.00 (2/2)	438.92 (4/4)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials♥	518.12	518.95	519.51	560.59 (2/2)	513.34 (4/4)	560.59 (2/2/94)	3.62 (21/6/32)
Financial	44.12	43.96	43.71	48.59 (31/1)	41.39 (4/4)	48.49 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	247.68	247.56	247.46	267.71 (2/2)	243.14 (4/4)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	438.29	437.32	437.95	487.89 (2/2)	434.13 (4/4)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	727.98	727.31	727.38	803.93 (18/3)	727.31 (14/4)	803.93 (18/3/94)	54.87 (31/10/72)

■ RATIOS

	Apr 8	Mar 31	Mar 25	Year ago
Dow Jones Ind. Div. Yield	2.78	2.81	2.70	3.02
	Apr 13	Apr 6	Mar 30	Year ago
S & P Ind. Div. yield	2.51	2.48	2.51	2.49
S & P Ind. P/E ratio	23.67	23.87	23.55	26.13

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	446.00	445.75	-0.20	447.70	444.80	76,325	186,398
Sep	449.00	447.65	-0.20	449.45	446.90	482	7,562
Dec	451.70	450.05	-0.25	451.70	449.20	134	5,063

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Digital Eq	5,872,400	22⅞	-⅝
Merck	4,596,500	28⅛	-¼
DeBartolo	4,531,600	14⅝	...
Motorola	3,969,300	89⅞	-2
The Mills	3,834,700	23½	...
Wal-Mart	3,681,500	24⅝	-¼
Philip Morris	3,355,600	50	+⅛
Telefonos	3,351,000	56⅝	-1⅝
IBM	2,632,300	53	-⅝
Ford Motor	2,513,600	58⅛	-¼

■ TRADING ACTIVITY

● Volume (million)

	Apr 15	Apr 14	Apr 13
New York SE	308.126	272.172	278.033
Amex	14.086	14.865	14.818
NASDAQ	(u)	313.095	343.358
NYSE			
Issues Traded	2,755	2,788	2,792
Rises	1,020	926	681
Falls	1,101	1,217	1,513
Unchanged	634	643	598
New Highs	27	13	13
New Lows	219	134	122

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

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AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

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● FT Cityline Unit Trust Prices: dial 0891 430010 and key in a 5 digit code listed below. Calls are charged at 39p/minute cheap rate and 49p/minute at all other times. International access available by subscription only. For more details call the FT Cityline Help Desk on 071-873 4378.

OTHER UK UNIT TRUSTS

INSURANCES

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Save & Prosper Group - Contd.

Scottish Amicable

150 St Vincent St, Glasgow 041-248 2323

Life Funds (First Series)

Standard Life Assurance Company

3 George St, Edinburgh EH2 2XZ 031-225 2552

Sun Alliance Group

St Mark's Court Horsham 0403 232323

Life Funds

Windsor Life Assur Co Ltd - Contd.

Woolwich Life Assurance Co Ltd

1-3 Queensway, Redhill, Surrey RH1 1NH 0737 778500

Zurich Life Assurance Co Ltd

11 Guildhall Walk, Portsmouth PO1 2LR 0705 822200

OFFSHORE INSURANCES

Providence Capitol International Ltd - Contd.

Royal Life Intl. Ltd

Royal Skandia Life Assurance Ltd

MANAGEMENT SERVICES

Fidelity Money Funds - Contd.

Jupiter Tyndall (Bermuda) Ltd

PO Box HM 124, Hamilton, Bermuda

Newport Investment Management

73 Front Street, Hamilton, Bermuda

Orion Fund Limited

6 Front St., Hamilton, HM11, Bermuda

GUERNSEY (SIB RECOGNISED)

CIBC Fund Managers (Guernsey) Ltd

Dantrust Management (Guernsey) Ltd

Guernsey Capital Management Limited

IRELAND (SIB RECOGNISED)

Scottish Value Management (Ireland) Ltd (u)

72 Lower Leeson Street, Dublin 2 010 3531 6613433

Singer & Friedlander Inv Funds Ltd (u)

21 New Street, Bishopsgate, EC2M 4HR

IRELAND (REGULATED)(**)

AXA Equity & Law Intl Fund Mgs

Appleton Financial Advisors Ltd

City Financial Admin (IoM) Ltd

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

ISLE OF MAN (REGULATED)(**)

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INVESCO International Limited

Disa Income Fund

Dolphin Intl Investments (a) SICAV

Dresdnerbank Asset Mngmt SA (a)

Regent Global Fund (a) (z)

Dean Witter World Wide Invest. Tst SA

The Dragon Fund Sicav

Espirito Santo Investment Mgmnt (SICAV)

Scudder, Stevens & Clark - Contd.

DWS Deutsche Ges. F. Wertpapiersp

Dachen Investment Trust Co Ltd

Infinity Capital Corporation

International Fund Administration Ltd

The Jaguar Fund N.V.

Jardine Fleming Inv Mngt Ltd

Portuguese Investment Fund Ltd

Putnam Embassy Funds Ltd

Putnam International Advisers Ltd

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

Apr 15		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.7350	-0.0155	253 - 447	17.7741	17.7029	17.7312	0.3	17.7256	0.2	-	-	113.2
Belgium	(BFr)	51.9556	+0.0144	085 - 027	52.0027	51.8042	51.9806	-0.6	52.0706	-0.9	52.1156	-0.3	114.3
Denmark	(DKr)	9.8821	-0.0079	743 - 898	9.8967	9.8622	9.8923	-1.2	9.9056	-0.9	9.9153	-0.3	114.4
Finland	(FM)	8.1164	-0.0151	061 - 266	8.1460	8.0710	-	-	-	-	-	-	82.1
France	(FFr)	8.8311	+0.0004	252 - 369	8.8443	8.6071	8.6383	-1.0	8.6518	-0.9	8.6536	-0.3	107.0
Germany	(DM)	2.5233	-0.0006	218 - 247	2.5330	2.5034	2.5246	-0.6	2.5267	-0.5	2.5178	0.2	122.2
Greece	(Dr)	369.828	-0.162	134 - 121	370.247	368.728	-	-	-	-	-	-	-
Ireland	(I£)	1.0296	-0.0021	285 - 308	1.0329	1.0247	1.0305	-1.0	1.0323	-1.0	1.0376	-0.8	103.3
Italy	(L)	2412.12	+1.65	983 - 441	2416.09	2408.23	2417.42	-2.6	2428.62	-2.7	2484.37	-2.2	78.0
Luxembourg	(LFr)	51.9556	+0.0144	085 - 027	52.0027	51.8042	51.9806	-0.6	52.0706	-0.9	52.1156	-0.3	114.3
Netherlands	(Fl)	2.8332	-0.0002	318 - 345	2.8369	2.8245	2.8339	-0.3	2.8348	-0.2	2.8248	0.3	117.9
Norway	(NKr)	10.9427	-0.0077	375 - 478	10.9550	10.9181	10.937	0.6	10.9495	-0.3	10.9407	0.0	84.6
Portugal	(Es)	258.231	+0.411	922 - 540	258.775	257.242	259.206	-4.5	261.151	-4.5	-	-	-
Spain	(Pta)	205.922	+0.759	705 - 139	208.262	204.759	206.432	-3.0	207.382	-2.8	210.442	-2.2	85.0
Sweden	(SKr)	11.6705	-0.0285	610 - 800	11.7157	11.6561	11.6915	-2.2	11.7275	-2.0	11.8465	-1.5	78.6
Switzerland	(SFr)	2.1432	+0.0125	417 - 447	2.1469	2.1314	2.1412	1.1	2.1378	1.0	2.1102	1.5	116.8
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	79.9
Ecu	-	1.3048	+0.0001	036 - 058	1.3076	1.3018	1.308	-1.1	1.3081	-1.0	1.3096	-0.4	-
SDR	-	0.949284	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.4735	-0.0038	729 - 740	1.4765	1.4707	-	-	-	-	-	-	-
Brazil	(Cr)	1626.00	+26.8	744 - 856	1630.00	1595.00	-	-	-	-	-	-	-
Canada	(C$)	2.0414	+0.0037	403 - 424	2.0451	2.0354	2.0424	-0.6	2.0454	-0.8	2.061	-1.0	87.0
Mexico	(New Peso)	4.9576	-0.0114	522 - 630	4.9637	4.9504	-	-	-	-	-	-	-
USA	($)	1.4735	-0.0036	730 - 740	1.4768	1.4707	1.4718	1.4	1.4697	1.0	1.4662	0.5	66.4
Pacific/Middle East/Africa													
Australia	(A$)	2.0378	-0.0043	362 - 390	2.0470	2.0232	2.0361	0.9	2.0338	0.8	2.0318	0.3	-
Hong Kong	(HK$)	11.3847	-0.0279	801 - 893	11.4073	11.3629	11.3717	1.4	11.3663	0.6	11.3172	0.6	-
India	(Rs)	46.2182	-0.1132	006 - 357	46.3100	46.1320	-	-	-	-	-	-	-
Japan	(Y)	152.721	-1.011	632 - 810	153.910	152.540	152.361	2.8	151.651	2.8	148.328	2.9	189.0
Malaysia	(M$)	3.9615	-0.0055	594 - 636	3.9669	3.9532	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.5906	-0.0122	883 - 932	2.6064	2.5879	2.5937	-1.3	2.598	-1.1	2.6086	-0.6	-
Philippines	(Peso)	40.5948	-0.098	602 - 293	40.9240	40.3602	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.5260	-0.0137	238 - 282	5.5377	5.5159	-	-	-	-	-	-	-
Singapore	(S$)	2.3002	-0.0065	988 - 017	2.3063	2.2961	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.3643	+0.0458	588 - 698	5.3698	5.3155	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	7.9496	+0.0252	395 - 596	7.9815	7.7811	-	-	-	-	-	-	-
South Korea	(Won)	1192.25	-2.8	180 - 276	1194.57	1190.09	-	-	-	-	-	-	-
Taiwan	(T$)	38.8636	-0.0788	430 - 841	38.9200	38.8000	-	-	-	-	-	-	-
Thailand	(Bt)	37.2427	-0.0824	227 - 627	37.2990	37.1790	-	-	-	-	-	-	-

†SDR rate for Apr 14. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Apr 15		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J P Morgan index
Europe													
Austria	(Sch)	12.0360	+0.0185	335 - 385	12.0735	12.0265	12.0565	-2.0	12.0835	-1.6	12.0947	-0.5	102.8
Belgium	(BFr)	35.2600	+0.0945	400 - 800	35.3200	35.1700	35.32	-2.0	35.43	-1.9	35.545	-0.8	103.9
Denmark	(DKr)	6.7065	+0.0107	035 - 095	6.7242	6.6907	6.7222	-2.8	6.7467	-2.4	6.7895	-1.2	102.9
Finland	(FM)	5.5082	+0.003	031 - 133	5.5302	5.4815	5.5149	-1.5	5.5227	-1.1	5.5344	-0.5	76.7
France	(FFr)	5.8575	+0.0143	555 - 595	5.8702	5.8447	5.8681	-2.4	5.8867	-2.0	5.902	-0.8	103.6
Germany	(D)	1.7124	+0.0036	120 - 128	1.7165	1.7005	1.7152	-2.0	1.7191	-1.6	1.7171	-0.3	102.9
Greece	(Dr)	250.850	+0.5	600 - 100	251.100	250.500	254.15	-15.8	261.6	-17.1	289.1	-15.2	70.0
Ireland	(I£)	1.4312	-0.0005	302 - 322	1.4369	1.4238	1.4284	2.4	1.4232	2.2	1.4112	1.4	-
Italy	(L)	1637.00	+5.05	600 - 800	1639.50	1633.00	1642.5	-4.0	1652.5	-3.8	1680.75	-2.7	78.7
Luxembourg	(LFr)	35.2600	+0.0945	400 - 800	35.3200	35.1700	35.32	-2.0	35.43	-1.9	35.545	-0.8	103.9
Netherlands	(Fl)	1.9228	+0.0045	225 - 230	1.9263	1.9173	1.9255	-1.7	1.9289	-1.3	1.9267	-0.2	103.4
Norway	(NKr)	7.4263	+0.0126	253 - 273	7.4396	7.4055	7.439	-2.1	7.4623	-1.9	7.5013	-1.0	94.4
Portugal	(Es)	175.250	+0.7	100 - 400	175.500	174.650	176.8	-10.6	178.65	-7.8	184	-5.0	93.1
Spain	(Pta)	139.750	+0.85	650 - 850	139.900	139.060	140.255	-4.3	141.095	-3.8	143.525	-2.7	80.6
Sweden	(SKr)	7.9203	+0.0011	165 - 240	7.9450	7.9077	7.9453	-3.8	7.9881	-3.4	8.1113	-2.4	82.0
Switzerland	(SFr)	1.4545	+0.012	540 - 550	1.4595	1.4460	1.4548	-0.2	1.4544	0.0	1.4392	1.1	103.9
UK	(£)	1.4735	-0.0036	730 - 740	1.4766	1.4707	1.4718	1.4	1.4697	1.0	1.466	0.5	88.7
Ecu	-	1.1293	-0.0028	288 - 298	1.1316	1.1269	1.1271	2.4	1.1235	2.1	1.1196	0.9	-
SDR	-	1.39915	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.0000	-0.0002	999 - 000	1.0000	0.9999	-	-	-	-	-	-	-
Brazil	(Cr)	1104.86	+20.81	485 - 486	1104.87	1104.85	-	-	-	-	-	-	-
Canada	(C$)	1.3854	+0.0058	851 - 856	1.3867	1.3810	1.3877	-1.9	1.3918	-1.8	1.4057	-1.5	83.7
Mexico	(New Peso)	3.3645	+0.0004	620 - 670	3.3670	3.3620	3.3655	-0.4	3.3673	-0.3	3.3747	-0.3	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	101.2
Pacific/Middle East/Africa													
Australia	(A$)	1.3823	-0.0001	824 - 822	1.3864	1.3736	1.3835	-1.1	1.3862	-1.7	1.3988	-1.2	88.8
Hong Kong	(HK$)	7.7263	-0.0002	256 - 269	7.7298	7.7256	7.7293	-0.5	7.7353	-0.5	7.76	-0.4	-
India	(Rs)	31.3663	-0.0012	650 - 675	31.3700	31.3650	31.4313	-2.5	31.5663	-2.6	-	-	-
Japan	(Y)	103.645	-0.435	620 - 670	104.300	103.530	103.52	1.4	103.19	1.8	101.165	2.4	147.8
Malaysia	(M$)	2.6885	+0.0027	880 - 890	2.6890	2.6851	2.6815	3.1	2.666	3.3	2.7285	-1.5	-
New Zealand	(NZ$)	1.7583	-0.004	572 - 593	1.7855	1.7569	1.7596	-0.9	1.7641	-1.3	1.786	-1.6	-
Philippines	(Peso)	27.5500	-	000 - 000	27.7000	27.4000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7503	-0.0002	500 - 505	3.7505	3.7500	3.751	-0.2	3.7533	-0.3	3.7648	-0.4	-
Singapore	(S$)	1.5610	-0.0007	605 - 615	1.5620	1.5605	1.5604	0.5	1.5599	0.3	1.5585	0.2	-
S Africa (Com.)	(R)	3.6405	+0.0397	380 - 430	3.6430	3.6030	3.657	-5.4	3.683	-4.7	3.776	-3.7	-
S Africa (Fin.)	(R)	5.3950	+0.03	900 - 000	5.4200	5.2800	5.429	-7.6	5.489	-7.0	-	-	-
South Korea	(Won)	809.150	+0.05	100 - 200	812.15	809.10	815.65	-3.2	-	-	834.15	-3.1	-
Taiwan	(T$)	26.3750	+0.01	700 - 800	26.3800	26.3700	26.4405	-3.0	26.541	-2.5	-	-	-
Thailand	(Bt)	25.2750	+0.005	700 - 800	25.2800	25.2700	25.355	-3.8	25.48	-3.2	26	-2.9	-

†SDR rate for Apr 14. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Apr 14: Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Apr 15		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.02	16.61	4.856	1.982	4642	5.452	21.05	498.9	398.3	22.46	4.124	1.923	3.928	2.835	293.9	2.512
Denmark	(DKr)	52.58	10	8.734	2.553	1.042	2441	2.867	11.07	261.3	208.4	11.81	2.169	1.012	2.065	1.491	154.5	1.321
France	(FFr)	60.20	11.45	10	2.923	1.193	2795	3.282	12.68	299.2	238.6	13.52	2.483	1.159	2.365	1.707	176.9	1.512
Germany	(DM)	20.59	3.917	3.421	1	0.408	956.0	1.123	4.336	102.3	81.61	4.625	0.849	0.396	0.809	0.584	60.52	0.517
Ireland	(I£)	50.45	9.594	8.380	2.450	1	2342	2.750	10.62	250.7	199.9	11.33	2.081	0.971	1.982	1.430	148.3	1.267
Italy	(L)	2.154	0.410	0.358	0.105	0.043	100.	0.117	0.454	10.70	8.536	0.484	0.089	0.041	0.085	0.061	6.331	0.054
Netherlands	(Fl)	18.34	3.488	3.047	0.891	0.364	851.4	1	3.862	91.14	72.68	4.119	0.756	0.353	0.720	0.520	53.90	0.461
Norway	(NKr)	47.50	9.033	7.888	2.306	0.941	2205	2.590	10	236.0	188.2	10.67	1.959	0.914	1.866	1.346	139.6	1.193
Portugal	(Es)	20.12	3.827	3.343	0.977	0.399	934.2	1.097	4.237	100.	79.74	4.520	0.830	0.387	0.790	0.570	59.14	0.505
Spain	(Pta)	25.24	4.799	4.192	1.225	0.500	1171	1.376	5.313	125.4	100.	5.668	1.041	0.486	0.991	0.715	74.16	0.634
Sweden	(SKr)	44.52	8.468	7.396	2.162	0.883	2067	2.428	9.374	221.3	176.4	10	1.836	0.857	1.749	1.262	130.8	1.118
Switzerland	(SFr)	24.25	4.611	4.026	1.177	0.481	1126	1.322	5.105	120.5	96.08	5.446	1	0.467	0.952	0.687	71.26	0.609
UK	(£)	51.96	9.882	8.631	2.523	1.030	2412	2.833	10.94	258.2	205.9	11.67	2.143	1	2.041	1.473	152.7	1.305
Canada	(C$)	25.46	4.842	4.229	1.236	0.505	1182	1.388	5.360	126.5	100.9	5.718	1.050	0.490	1	0.722	74.82	0.639
US	($)	35.27	6.709	5.859	1.713	0.699	1637	1.923	7.427	175.3	139.8	7.923	1.455	0.679	1.386	1	103.7	0.886
Japan	(Y)	340.3	64.72	56.52	16.52	6.745	15798	18.55	71.64	1691	1348	76.42	14.03	6.549	13.37	9.646	1000.	8.546
Ecu		39.82	7.572	6.614	1.933	0.789	1848	2.171	8.383	197.9	157.8	8.943	1.642	0.766	1.564	1.129	117.0	1

Yen per 1,000; Danish Kroner, French Franc, Norwegian Kroner and Swedish Kronor per 10; Belgian Franc, Escudo, Lira and Peseta per 100.

D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Sett price	Change	High	Low	Est.vol	Open Int.
Jun	0.5834	0.5821	-0.0009	0.5840	0.5808	48,221	91,543
Sep	0.5807	0.5807	-0.0008	0.5822	0.5796	211	2,798
Dec	0.5799	0.5807	-0.0007	0.5814	0.5799	10	123

SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Sett price	Change	High	Low	Est.vol	Open Int.
Jun	0.6914	0.6874	-0.0034	0.6914	0.6850	17,310	35,612
Sep	0.6892	0.6885	-0.0034	0.6902	0.6861	24	362
Dec	-	0.6909	-0.0034	0.6920	0.6885	-	-

JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Sett price	Change	High	Low	Est.vol	Open Int.
Jun	0.9630	0.9688	+0.0058	0.9692	0.9611	25,727	51,458
Sep	0.9685	0.9743	+0.0059	0.9743	0.9685	385	2,309
Dec	-	0.9804	+0.0060	0.9800	-	4	622

STERLING FUTURES (IMM) £62,500 per £

	Open	Sett price	Change	High	Low	Est.vol	Open Int.
Jun	1.4728	1.4684	-0.0062	1.4728	1.4676	7,367	47,383
Sep	1.4640	1.4658	-0.0056	1.4690	1.4640	5	949
Dec	-	1.4646	-0.0048	-	1.4640	2	33

PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	Calls Apr	Calls May	Calls Jun	Puts Apr	Puts May	Puts Jun
1.400	6.98	6.63	6.87	-	-	0.15
1.425	4.48	4.44	4.72	-	0.07	0.47
1.450	2.03	2.39	2.90	-	0.47	1.14
1.475	-	0.93	1.60	0.37	1.50	2.27
1.500	-	0.25	0.76	2.82	3.26	3.87
1.525	-	0.02	0.30	5.32	5.52	5.90

Previous day's vol., Calls 9,533 Puts 18,406 . Prev. day's open int., Calls 517,156 Puts 465,630

UK INTEREST RATES

LONDON MONEY RATES

Apr 15	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	5½ - 4¼	5⅛ - 4 13/16	5⅛ - 4 15/16	5¼ - 5⅛	5⅜ - 5¼	5 11/16 - 5 9/16
Sterling CDs	-	-	5 3/16 - 5 1/16	5⅛ - 5 1/16	5¼ - 5⅛	5 9/16 - 5½
Treasury Bills	-	-	4 13/16 - 4⅞	5 - 4 15/16	-	-
Bank Bills	-	-	4 13/16 - 4⅞	5 - 4 15/16	5⅛ - 6 1/16	-
Local authority deps.	5 1/16 - 4 15/16	4 15/16 - 4 13/16	5⅛ - 5	5⅛ - 5	5 5/16 - 5 3/16	5 9/16 - 5 7/16
Discount Market Deps	5¼ - 4¾	4 15/16 - 4 13/16	-	-	-	-

UK clearing bank base lending rate 5¼ per cent from February 8, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	1½	4	3¾	3¾	3½

Certs of Tax dep. under £100,000 is 1½pc. Deposits withdrawn for cash ½pc.
Ave. tender rate of discount 4.8610pc. ECGD fixed rate Stg. Export Finance. Make up day March 31, 1994. Agreed rate for period Apr 26, 1994 to May 24, 1994, Schemes II & III 6.47pc. Reference rate for period Mar 1, 1994 to Mar 31, 1994, Schemes IV & V 5.214pc. Finance House Base Rate 5½pc from Apr 1, 1994

BANK OF ENGLAND TREASURY BILL TENDER

	Apr 15	Apr 8		Apr 15	Apr 8
Bills on offer	£200m	£200m	Top accepted rate	4.8734%	4.9135%
Total of applications	£930m	£929m	Ave. rate of discount	4.8610%	4.9125%
Total allocated	£200m	£200m	Average yield	4.9209%	4.9734%
Min. accepted bid	£98.785	£98.775	Offer at next tender	£200m	£200m
Allotment at min. level	62%	73%	Min. accept. bid 182 days	-	-

FT GUIDE to WORLD CURRENCIES

The FT Guide to World Currencies table can be found on page 21 in today's edition.

Pound in New York

Apr 15	Close	Prev. close
£ spot	1.4720	1.4770
1 mth	1.4704	1.4753
3 mth	1.4681	1.4727
1 yr	1.4647	1.4680

MONEY RATES

April 15	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	[illegible]							
week ago	[illegible]							
France	[illegible]							
week ago	[illegible]							
Germany	[illegible]							
week ago	[illegible]							
Ireland	[illegible]							
week ago	[illegible]							
Italy	[illegible]							
week ago	[illegible]							
Netherlands	[illegible]							
week ago	[illegible]							
Switzerland	[illegible]							
week ago	[illegible]							
US	[illegible]							
week ago	[illegible]							
Japan	[illegible]							
week ago	2⅛	2¼	2¼	2⅝	2⅜	-	1.75	-
$ LIBOR FT London								
Interbank Fixing	-	3¾	4 1/16	4⅜	5 1/16	-	-	-
week ago	-	3¾	4	4⅜	4 15/16	-	-	-
US Dollar CDs	-	3.63	3.87	4.22	4.84	-	-	-
week ago	-	3.63	3.84	4.15	4.74	-	-	-
SDR Linked Ds	-	3⅝	3⅝	3⅝	4	-	-	-
week ago	-	3⅝	3⅝	3⅝	4	-	-	-

ECU Linked Ds mid rates: 1 mth: 6¼; 3 mths: 6 1/16; 6 mths: 6 ; 1 year: 5⅞. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Apr 15	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	5 15/16 - 5 13/16	5 13/16 - 5 11/16	5 15/16 - 5 13/16	5 15/16 - 5 13/16	5 15/16 - 5 13/16	5 15/16 - 5 13/16
Danish Krone	6½ - 6	6⅛ - 5⅝	6¼ - 5¾	6⅛ - 5⅞	6 1/16 - 5 13/16	6 1/16 - 5 13/16
D-Mark	5 9/16 - 5 7/16	5 11/16 - 5 9/16	5 13/16 - 5 9/16	5⅝ - 5½	5½ - 5⅜	5⅜ - 5¼
Dutch Guilder	5 7/16 - 5 5/16	5 7/16 - 5 5/16	5⅜ - 5¼	5 5/16 - 5 3/16	5¼ - 5⅛	5¼ - 5⅛
French Franc	6⅛ - 6	6⅛ - 6	6 1/16 - 5 15/16	6 - 5⅞	5 15/16 - 5 13/16	5 13/16 - 5 11/16
Portuguese Esc.	16 - 15	18 - 16	15 - 10	12 - 9½	11 - 9	11 - 9½
Spanish Peseta	8¼ - 8⅛	8 3/16 - 8	8 1/16 - 7⅞	7 13/16 - 7⅝	7 13/16 - 7⅝	7 13/16 - 7⅝
Sterling	5¼ - 5	5⅛ - 5	5⅛ - 5 1/16	5¼ - 5⅛	5 5/16 - 5¼	5⅝ - 5½
Swiss Franc	4⅜ - 4⅛	4⅜ - 4⅛	4¼ - 4⅛	4 3/16 - 4 1/16	4 1/16 - 3 15/16	4 1/16 - 3 15/16
Can. Dollar	6⅛ - 5⅞	5¾ - 5½	5⅝ - 5½	5 15/16 - 5 11/16	6⅛ - 6	6 9/16 - 6 7/16
US Dollar	3 9/16 - 3 7/16	3⅝ - 3½	3¾ - 3⅝	4 1/16 - 3 15/16	4 7/16 - 4 3/16	5 1/16 - 4 15/16
Italian Lira	9 - 7½	8 - 7½	8 - 7½	8 - 7½	8 - 7⅝	8⅛ - 7⅞
Yen	2¼ - 2⅛	2¼ - 2⅛	2⅜ - 2¼	2⅜ - 2¼	2⅜ - 2 3/16	2⅝ - 2½
Asian $Sing	3½ - 2½	3½ - 2½	3½ - 2½	4 - 3	4 - 3	4¾ - 3¾

Short term rates are call for the US Dollar and Yen, others: two days' notice.

THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	95.52	95.52	-	95.52	95.45	65,792	467,779
Sep	95.92	94.92	-	94.92	94.85	83,543	372,860
Dec	94.33	94.33	-	94.34	94.26	71,800	306,013

US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	95.91	95.97	-0.01	95.97	95.90	3,032	36,634
Sep	95.42	95.44	-0.01	95.45	95.39	839	11,139
Dec	94.93	94.98	+0.01	94.98	94.92	20	4,640

All Open Interest figs. are for previous day

BANK RETURN

BANKING DEPARTMENT	Wednesday April 13, 1994	Increase or decrease for week
Liabilities	£	£
Capital	14,553,000	
Public deposits	1,193,312,763	+310,191,231
Bankers deposits	1,615,961,850	+11,817,183
Reserve and other accounts	3,464,073,494	-170,125,079
	6,287,901,107	+151,883,335
Assets		
Government securities	1,235,092,429	+191,860,000
Advance and other accounts	2,730,815,473	+550,875,277
Premises, equipment and other secs	2,310,071,382	-598,202,305
Notes	11,907,774	+8,877,781
Coin	214,089	-17,418
	6,287,901,107	+151,883,335
ISSUE DEPARTMENT		
Liabilities		
Notes in circulation	17,588,092,226	-488,877,781
Notes in Banking Department	11,907,774	+8,877,781
	17,600,000,000	-480,000,000
Assets		
Government debt	11,015,100	
Other Government securities	14,410,555,972	-879,711,413
Other Securities	3,178,428,928	+399,711,413
	17,600,000,000	-480,000,000

STOCK EXCHANGES

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY APRIL 15 1994 US Dollar Index	%chg since 31/12/93	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 31/12/93	Gross Div. Yield	THURSDAY APRIL 14 1994 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (69)	169.69	1.8	170.94	111.31	151.25	156.26	-4.4	3.49	171.53	172.17	112.86	152.38	157.71	189.15	130.19	143.68
Austria (17)	179.15	-3.1	180.26	117.37	159.49	159.22	-4.4	0.98	178.96	179.63	117.74	158.98	158.81	195.41	139.63	144.24
Belgium (42)	164.63	1.4	165.94	108.05	146.83	143.41	-1.1	3.80	164.66	165.27	108.39	146.27	142.79	171.69	141.92	155.29
Canada (106)	128.06	-5.7	128.87	83.91	114.03	128.49	-1.3	2.61	129.03	129.52	84.89	114.63	128.90	145.31	121.46	122.67
Denmark (32)	247.99	0.9	249.52	162.47	220.77	226.20	-1.0	1.08	249.36	250.29	164.05	221.52	227.08	275.79	207.58	213.15
Finland (22)	146.93	19.3	147.83	96.26	130.80	169.84	13.4	0.88	147.68	148.23	97.16	131.19	170.62	156.72	84.12	84.61
France (98)	171.48	-2.5	172.53	112.34	152.66	157.56	-3.3	2.85	170.56	171.20	112.21	151.52	156.34	185.37	149.60	164.23
Germany (58)	137.45	-2.0	138.30	90.05	122.36	122.36	-3.4	1.67	137.51	138.03	90.47	122.16	122.16	142.38	107.59	115.71
Hong Kong (56)	393.14	-19.6	395.57	257.57	350.00	389.98	-19.7	2.66	395.78	397.27	260.39	351.61	392.61	506.56	265.67	269.23
Ireland (14)	187.39	1.2	188.55	122.77	166.83	184.49	-0.4	3.26	187.24	187.95	123.19	166.34	184.28	209.33	155.93	169.84
Italy (60)	91.74	33.8	92.30	60.10	81.67	112.15	27.9	1.55	92.26	92.60	60.70	81.96	112.44	93.43	57.88	62.23
Japan (469)	157.79	21.3	158.77	103.38	140.48	103.38	12.6	0.78	156.08	156.67	102.69	138.66	102.69	165.91	124.54	139.96
Malaysia (98)	476.31	-19.5	479.25	312.06	424.05	493.18	-19.8	1.33	467.44	469.19	307.53	415.26	483.60	621.63	297.87	297.87
Mexico (18)	1888.31	-20.9	1899.94	1237.13	1681.07	6946.26	-14.3	0.73	1885.91	1892.97	1240.74	1675.36	6936.62	2647.08	1431.17	1655.54
Netherland (25)	202.57	-1.7	203.82	132.71	180.34	177.77	0.7	3.17	201.31	202.07	132.44	178.84	176.25	207.43	163.30	171.15
New Zealand (14)	65.51	-3.5	65.91	42.92	58.32	61.16	-5.1	3.61	65.20	65.45	42.90	57.93	61.02	77.59	46.43	46.84
Norway (23)	193.82	7.9	195.01	126.98	172.55	195.38	6.5	1.70	193.24	193.97	127.14	171.67	194.46	208.42	150.61	155.92
Singapore (44)	331.36	-9.6	333.42	217.10	295.02	238.38	-12.5	1.64	334.80	336.06	220.27	297.43	240.95	378.92	230.89	230.89
South Africa (60)	214.42	-16.7	215.74	140.47	190.88	252.84	0.9	2.43	214.84	215.64	141.34	190.85	251.93	280.26	163.18	163.18
Spain (42)	136.82	-1.6	137.66	89.64	121.80	144.85	-4.0	4.06	138.89	139.41	91.38	123.38	146.15	155.79	116.38	130.09
Sweden (36)	212.19	8.1	213.50	139.02	188.91	248.79	2.7	1.58	213.06	213.86	140.17	189.28	249.78	230.02	163.37	164.64
Switzerland (49)	161.07	0.8	162.06	105.52	143.39	145.24	-1.5	1.80	160.85	161.45	105.82	142.89	143.84	176.56	118.09	119.29
United Kingdom (205)	191.83	-6.5	193.01	125.68	170.78	193.01	-6.1	3.83	190.17	190.88	125.12	168.94	190.88	214.96	170.32	177.47
USA (520)	181.63	-4.4	182.74	118.99	161.68	181.63	-4.4	2.82	181.70	182.38	119.54	161.41	181.70	196.04	176.91	183.05
EUROPE (724)	167.82	-0.4	168.85	109.95	149.40	161.66	-2.1	2.88	167.24	167.87	110.03	148.57	160.63	178.58	141.58	146.11
Nordic (113)	204.02	7.7	205.28	133.66	181.63	209.02	3.5	1.37	204.85	205.61	134.77	181.98	209.73	220.80	155.58	158.80
Pacific Basin (750)	166.36	14.7	167.39	108.99	148.11	113.63	7.4	1.06	164.90	165.52	108.49	146.50	113.02	168.80	134.79	143.75
Euro-Pacific (1474)	166.82	7.6	167.85	109.29	148.51	132.47	3.1	1.81	165.73	166.35	109.03	147.22	131.71	170.78	141.98	144.60
North America (626)	178.30	-4.3	179.40	116.81	158.73	177.95	-4.2	2.80	178.43	179.09	117.39	158.51	178.04	192.73	173.70	179.31
Europe Ex. UK (519)	151.09	2.4	152.02	98.99	134.51	142.18	0.5	2.27	151.06	151.62	99.38	134.19	141.67	155.73	122.37	126.61
Pacific Ex. Japan (281)	250.41	-12.7	251.95	164.06	222.93	228.25	-14.5	2.57	251.03	251.97	165.15	223.01	228.78	296.21	180.62	181.25
World Ex. US (1656)	167.13	8.3	168.16	109.49	148.79	135.35	2.7	1.82	166.12	166.75	109.29	147.58	134.61	172.51	142.94	144.95
World Ex. UK (1973)	168.92	3.1	169.96	110.67	150.38	145.80	0.8	2.03	168.37	169.00	110.77	149.57	145.43	175.58	152.41	154.76
World Ex. So. Af. (2118)	170.75	2.6	171.80	111.86	152.01	149.16	0.1	2.21	170.10	170.73	111.91	151.10	148.66	178.56	164.95	156.84
World Ex. Japan (1709)	180.03	-4.1	181.14	117.95	160.27	176.90	-4.3	2.83	179.91	180.58	118.36	159.82	176.56	195.20	165.70	167.42
The World Index (2178)	170.94	2.3	172.00	111.99	152.18	150.00	0.1	2.21	170.30	170.94	112.04	151.29	149.50	178.97	164.85	156.75

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Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 123.22 (Local).

STOCK INDICES

	Apr 15	Apr 14	Apr 13	Apr 12	Apr 11	1994 High	1994 Low	Since comp. High	Since comp. Low
FT-SE 100	3168.3	3131.7	3145.8	3159.1	3149.4	3520.3	3086.4	3520.3	986.9
[illegible]									

	Apr 15	Apr 14	Apr 13	Apr 12	Apr 11	1994 High	1994 Low	Since comp. High	Since comp. Low
FT-SE Eurotrack 100	1471.48	1457.07	1476.04	1486.27	1479.07	1540.19	1393.60	1540.19	900.45
FT-SE Eurotrack 200	1499.43	1482.61	1492.35	1500.59	1489.72	1607.10	1440.06	1607.10	938.62
[illegible]									

FT GOLD MINES INDEX

[illegible]

BASE LENDING RATES

[illegible]

LONDON RECENT ISSUES: EQUITIES

[illegible]

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

LONDON SHARE SERVICE

BANKS

	Notes	Price	W'k% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
ABN Amro Fl		[illegible]	2.5	[illegible]	♣	Sep May	1.9	–
ANZ A$		[illegible]	–.6	020c	0.7	Jan Jul	9.12	–
Abbey National	[illegible]	[illegible]	2.8	14.6	2.1	May Oct	14.3	[illegible]
[illegible]								

CHEMICALS

DISTRIBUTORS

BREWERIES

BUILDING & CONSTRUCTION

DIVERSIFIED INDUSTRIALS

BUILDING MATS. & MERCHANTS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

ENGINEERING, VEHICLES - Cont.

EXTRACTIVE INDUSTRIES

FOOD MANUFACTURERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

MERCHANT BANKS

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

OTHER SERVICES & BUSINESSES

PHARMACEUTICALS

PRINTING, PAPER & PACKAGING

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

SPIRITS, WINES & CIDERS

SUPPORT SERVICES

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

TRANSPORT - Cont.

WATER

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	W'k% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Anglo Am Ind		£22¼	—	Q375c	1.9	Oct Apr	3'93	–
Barlow		£9¾	–1.6	Q172c	1.7	Jan Jul	13.12	–
Gold Flds Prop R		76	–11.6	Q60c	1.2	–	31.1	–
NK Props	§	90	—	Q44.7c	0.3	Feb Oct	18.10	–
SASOL	¶	280	–6.4	Q79c	–	Oct	23.9	3819
SA Brews		£10⅛	–6.0	Q138c	2.2	Dec Jun	13.12	–
Tiger Oats		683	–11.8	Q82c	2.9	Jan Feb	29.11	–
Tongaat-Hulett	†	482	–6.3	Q75c	2.4	Feb Aug	4.1	–

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a *member of the Financial Times Group.*

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Dividend covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- † Interim since increased or resumed
- ‡ *Interim since reduced, passed or deferred*
- Figures or report awaited
- Not officially UK listed; dealings permitted under rule 535(4)(a)
- Free annual/interim report available, see details below.
- *USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.*
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- # *Price at time of suspension*
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a *Annualised dividend.* b Figures based on prospectus or other official estimates. c Cents. f Flat yield. g *Assumed dividend.* h Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend; cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Not subject to ACT.

z *Dividend includes a special payment: Cover does not apply to special payment.* F Dividend based on prospectus or other official estimates for 1994-95. G Assumed dividend after pending scrip and/ or rights issue. H Dividend based on prospectus or other *official estimates for* 1993. K Dividend based on prospectus or other official estimates for 1994. L Estimated annualised dividend, cover based on latest annual earnings. *M Dividend based on* prospectus or other official estimates for 1993-94. N Figures based on IIMR "Headline Earnings" P Figures based on prospectus or other official estimates for 1994. Q Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. *T Figures assumed.* W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1225 a year for each security shown, subject to the Editor's discretion.

FT Share Service

The following changes have been made to the FT Share Information Service: *Additions: Beazer Homes* (Bldg. & Con), Domnick Hunter (Eng.), Goldsborough (Healthcare), Central Euro. Growth Fd. Ord and Warrants, Israel Fund Ord and Warrants and Ed. Small. Co's C (Inv Tsts.), Midland Ind (Media), Energy Equity (Oil Expln & *Prod*), Franklin *Res.* (Other Fin.), Dencora 6½pc PL (Prop.) and McDonnel Information (Support Services). Deletions: OFS *and* Welkom (Ext. Inds.)

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4 pm close April 15

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1994 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
17⅞	14⅛	AAR	0.48	3.0	529	45	16⅛	15⅞	15⅞	-⅛
16⅝	14	A L Labs A	0.16	1.3	33	72	14⅞	14⅛	14⅛	-⅛
65½	59¼	AMP	1.68	2.8	20	3412	60	59⅛	59¼	-⅝
72¾	55⅞	AMR			27	3610	55⅞	d55¼	55¼	+⅛
5	3⅝	ARX			14	396	4⅛	4	4⅛	-⅛
68⅛	39⅝	ASA	2.00	5.1	25	925	39⅝	d39	39	-¼
30⅝	25⅞	AbbtL x	0.76	2.8	16	10315	27½	27	27¼	+⅛
13¾	11⅞	Abitibi Pr	0.50	4.0	8	39	12½	12⅜	12½	+⅛
13¾	11⅛	[illegible]			21	167	12	11¾	11⅞	+⅛
31	24½	ACE Ltd	0.40	1.4	4	975	27¾	27¼	27¼	-¼
12½	10⅛	ACM Gvt In	1.09	10.1		176	11	10⅞	10⅞	-⅛
10⅛	7⅞	ACM GvOpp	0.80	9.6		53	8⅜	8¼	8¼	
10⅝	8⅝	ACM Gvt Sp	0.96	10.8		111	8⅝	8¾	8⅝	
12	9¾	ACM Gvt Se	1.09	10.8		226	10¼	10⅛	10⅛	-⅛
11¾	8¾	ACM Man	1.08	10.9		67	10	9⅞	9⅞	-⅛
9¼	8	ACM Managd	0.72	8.7		62	8¼	8¼	8¼	
12	8¾	AcmeCh	0.44	4.0	13	933	11⅞	10¾	11	-⅝
8½	7⅛	Acme Elect			35	32	8⅛	8⅛	8⅛	+⅛
28¼	23	Acordia	0.60	2.2	13	74	27⅜	27¼	27¼	+⅛
9¼	5¾	Actava	0.36	4.1	3	2149	9	7⅞	8⅞	+1⅛
13⅞	11¼	Acuson			96	93	12½	12⅜	12⅜	+⅛
18⅜	16½	Adams Expr	0.48	2.8	0	119	17	16¾	17	+⅛
64	45½	Ad Micro	3.00	5.8		1100	52⅜	51¾	52	-¾
31¾	18¾	AdvMic	3.00	12.5	10	10343	24⅞	23⅞	24	-1
6⅞	5⅝	Advest Grp	0.16	2.7	9	34	5⅞	5¾	5⅞	
20	16¾	Advo Inc	0.10	0.6	119	24	18	17⅞	17⅞	+⅛
57¼	49⅞	Aegon ADR	1.23	2.3	11	178	53⅛	52⅛	52¼	+¼
[illegible]										

- B -

1994 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
[illegible]										
22½	30	Bd Tr 1838 x	1.72	8.8		57	20⅛	d19⅝	19⅝	-⅛
24⅝	18½	Bear Stms	0.60	3.0	5	3800	19¾	19⅛	19¾	+⅝
50	48½	BearSPIA	2.83	5.7		2	49½	49½	49½	

- C -

[illegible]

- D -

[illegible]

- E -

[illegible]

- F -

[illegible]

- G -

[illegible]

- H -

[illegible]

- I -

[illegible]

- J -

[illegible]

- K -

[illegible]

- L -

[illegible]

- M -

[illegible]

- N -

[illegible]

- O -

[illegible]

- P - Q -

[illegible]

- R -

[illegible]

- S -

[illegible]

Continued on next page

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4 pm close April 15

NYSE COMPOSITE PRICES

Continued from previous page

1994 High	Low	Stock	Div.	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
18½	13⅞	SbyH	0.38	2.5	8	909	14⅞	14⅛	14⅞	+½
27	19¼	Safeway			25	1333	25½	25¼	25½	-⅛
6⅞	4⅞	SafewayWSB				62	6	5⅞	6	+⅛
57⅞	50¼	SLJoePaper	0.20	0.4	295	142	56⅛	53⅞	56⅛	+2¼
30¼	28	SJoeLAP	1.80	6.2	14	z100	29¼	29¼	29¼	
90	78⅞	StPaul	3.00	3.7	8	2167	82½	80⅞	82⅛	+1½
9⅞	6¼	Salant Crp			10	167	8¼	8	8¼	+⅛
49⅞	40⅝	Sallie Mae	1.40	3.5	8	5220	40¼	d39⅞	39⅞	-¾
13⅞	11⅞	Salomon Br	0.34	2.7		221	12⅞	12¾	12⅞	+⅛
52¾	44¾	Salomon	0.64	1.3	6	2575	50⅞	49⅞	49¾	-¼
25	21½	SnDgGE	1.52	6.9	11	588	22⅛	21⅞	22	
10	7½	SantaFeEfs	0.16	1.9	8	1077	8⅝	8⅜	8⅜	-⅛
40	34⅝	SantaFePac	2.80	7.6	17	33	36⅞	36	36¼	+½
26¼	21¾	SanFeP	0.10	0.4	13	9394	25	23⅞	24	+¾
26	20⅞	SaraLee	0.64	3.0	14	11342	21½	d20⅞	21	-½
50⅛	44½	Scana Corp	2.82	6.3	12	328	44¾	d44½	44¾	
20½	16	Scecrp	1.42	8.7	11	6245	16⅞	16¼	16⅜	+⅛
40½	34¾	ScherecRP			27	552	35⅛	35⅛	35	-½
69⅞	54½	SchrPl	1.80	3.3	13	2063	56¼	55⅞	55¼	-⅝
61½	50¾	Schimb	1.20	2.2	22	12760	54¼	51½	53½	+1⅞
33	25¼	Schwab(C)	0.28	1.0	12	795	27¼	27	27⅛	-⅛
10⅞	6⅛	Schwitzer			28	30	9½	9⅜	9⅜	
36⅞	24⅞	SciAtl	0.12	0.5	51	3305	26⅛	25¼	25⅞	
16⅞	13¾	Scotsman	0.10	0.7	12	268	13⅞	d13½	13¾	-⅛
46¾	38	ScottP	0.80	2.1	9	7197	38⅞	38⅛	38⅛	+⅛
[illegible]										

- T -

[illegible]

- U -

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- V -

[illegible]

- W -

[illegible]

- X - Y - Z -

[illegible]

AMEX COMPOSITE PRICES

4 pm close April 15

[illegible]

Stock	Div.	P/ E	Sls 100s	High	Low	Close	Chng
Chmbrs A	0.07	8	644	4⅛	3⅞	4	+⅛
Chambers		8	5	4	4	4	+⅛
Champion		42	923	u29	27½	28⅝	+1⅛
Chiles		237	685	4⅞	4⅝	4¾	-⅛
CircPh	0.04	26	101	10⅜	10⅛	10¼	-⅛
Cntd FdA	0.01		127	5⅜	5¼	5¼	
Cominco	0.30	13	4	15½	15⅜	15⅜	-⅛
Greenman		30	187	6⅛	d5⅞	5⅞	-⅛
Gulf Cda	0.34	10	1060	2⅞	2⅞	2⅞	
HanDir		38	537	6⅞	6⅜	6½	+⅛
Hasbro	0.28	15	1337	35	34½	34⅞	+⅝
Health Ch		5	78	4	3⅞	3⅞	
NVR		12	10	8¾	8¾	8¾	
Odetics A		34	135	u9¾	u9¼	9¾	
Oilgear	0.24	106	492	32⅝	32⅛	32⅝	-⅛
Pegasus G	0.40	94	1686	17⅞	d16⅞	17	-⅜
Perini	0.80	51	42	12½	12⅜	12⅜	-⅛
Westbrid		22	5877	9⅛	8⅞	9⅛	+⅝
Westamer x	0.60	24	104	29	28½	28¾	-¼
WIRET	1.12	18	63	13	12⅞	13	+⅛
Worthen	0.60	10	13	21¾	21½	21½	
Xytronix		4	355	4⅝	d4⅛	4⅜	+¼

4 pm close April 15

NASDAQ NATIONAL MARKET

[illegible]

FT GUIDE TO THE WEEK

18 MONDAY

Hosokawa succession

Japan's ruling coalition is expected to put forward Tsutomu Hata (left), foreign minister, as candidate for the prime ministership in a parliamentary vote to be held this week. The vacancy follows the resignation of Morihiro Hosokawa on April 8.

Meanwhile, Michio Watanabe, a member of the opposition LDP and a former foreign minister, plans to form a breakaway party. His hope is that the ruling coalition's dominant right wing may then back him for the premiership.

EBRD meeting: The board of governors of the European Bank for Reconstruction and Development holds its third annual general meeting in St Petersburg, Russia (to Apr 19). It will discuss a new strategy that concentrates resources on the private sector.

European Union foreign ministers begin a two-day session in Luxembourg. On the agenda are financing of the EU's common foreign and security policy, talks with Ukraine on a possible partnership and co-operation accord, and the EU-Cyprus association council.

Strasbourg: The final European Parliament session before the European election in June begins (to Apr 22).

Benazir Bhutto, Pakistan's prime minister, begins her first official visit to Germany (to Apr 21). It intends to cement the "very friendly" relations between the two countries. Germany is Pakistan's third most important trading partner and the visit includes talks with Siemens, one of several German companies which have invested DM53m ($31m) in Pakistan and to which Bhutto will look for more investment as she pushes ahead with privatisation. Talks with the government are expected to centre on nuclear weapons, Yugoslavia and Kashmir.

Hungary begins its "small shareholders programme", an attempt to broaden privatisation, with a public offering of shares in Sopron Brewery. On the same day, retailer Fotex expects to complete a $100m international equity offering, the largest by an east European company.

Chernobyl check: International Atomic Energy Agency officials are to make a tour of inspection of the Chernobyl nuclear power station (to Apr 22). Their visit comes after a report described the plant as unsafe. It was the scene of the world's biggest nuclear accident, when reactor number 4 exploded 8 years ago this month.

Holiday: Zürich (markets closed).

19 TUESDAY

Arafat visits Moscow

Yassir Arafat, leader of the Palestinian Liberation Organisation, is to visit Moscow in an effort to obtain stronger support from the Russians in the joint US-Russian sponsored Middle East peace process.

Later in the week, Mr Arafat may hold talks with Shimon Peres, Israel's foreign minister, during the Crans Montana economic conference both will be attending in Bucharest.

Rights issue: An Australian parliamentary delegation begins a three-day visit to Bougainville, the Pacific island controlled by Papua New Guinea. It has been the scene of bloody clashes between secessionist rebels and PNG defence forces.

Access has been negligible since the conflict escalated five years ago, and one of the delegation's aims is to investigate alleged human rights abuses.

Airport dispute: The European Commission is due to decide whether to start infringement proceedings against Air France for discriminating against non-French airlines at Orly airport, Paris. The debate, which is likely to prove controversial, has already been delayed for several weeks after the Commission bowed to French demands that it be delayed until after Air France's unions had voted on the airline's restructuring plans.

The UK and other member states insist Air France is abusing a monopoly position at Orly (left), and the decision is likely to prove highly political in the light of the other row bubbling in the Commission over the huge state aid package the French government recently gave the airline.

Euro Disney: The heads of the loan syndicates to the troubled theme park near Paris will this week be in tense negotiations to persuade all the group's 61 banks to approve proposals for its FFr13bn ($2.2bn) financial restructuring. Only four of the banks have yet to agree to an 18 month interest holiday. All 61 lenders are expected to have rubber-stamped the rescue deal by Friday.

Swedish bonds: Sweden is to auction Skr10bn ($1.3bn) of 20-year index-linked zero-coupon bonds, starting today, and continuing on the 20th and 22nd. It is Sweden's first issue of bonds to be linked to inflation, in the form of the consumer price index.

FT Survey: Estonia.

20 WEDNESDAY

IMF prepares for spring

The International Monetary Fund prefaces the spring meetings of its governors in Washington DC with the publication of its World Economic Outlook. Early drafts suggest the IMF has upgraded its forecast for growth among the Group of Seven countries to 2.4 per cent, against 2.2 per cent in September, largely because of higher growth expectations for the US.

Prospects elsewhere in the G7 are uninspiring, although Britain can look forward to growth of 2.5 per cent, in spite of this year's tax increases.

Rio Group meeting: Foreign ministers from the Rio Group, which represents Latin America and the Caribbean, meet their counterparts from the European Union in Sao Paulo, Brazil (to Apr 23).

Nigeria's official "war against indiscipline and corruption" is due to start today. The military regime promised in November an extensive purge, but corruption probes in the central bank and the oil industry have disclosed nothing yet.

Hanover Messe, the world's largest industrial fair, begins (to Apr 27). Some 350,000 people are expected to visit the 1m sq m exhibition area, where 6,848 assorted companies from 60 countries will display their wares.

UK unemployment figures for March are expected to show a further fall after February's seasonally adjusted decline of 38,800. A surprise rise in January raised doubts about the recovery, but unemployment appears to have resumed a downward trend. Analysts predict a seasonally adjusted drop of about 25,000.

UK average earnings will be closely watched. Last month, they revealed a slight pick-up in wage inflation. An unchanged annual rate of 3.25 per cent is expected for February.

UK PSBR: Government borrowing figures for March and the whole 1993-94 financial year are published. Although March is traditionally a month of high expenditure, the Public Sector Borrowing Requirement is still expected to undershoot the £50bn budget forecast. The consensus forecast points to a March PSBR of £11.1bn, and borrowing of £45.8bn in 1993-94.

Kremlin chess contest:

The Intel chess grand prix opens in the Kremlin, Moscow, where Gary Kasparov faces 15 challengers, including Britain's Nigel Short. Speed games, with 25 minutes for each player, will decide the $160,000 prize fund. Follow-on tournaments are to be held in New York, London and Paris.

21 THURSDAY

Russia says no to Nato

Andrei Kozyrev, Russian foreign minister, was due to sign the Partnership For Peace today – but has now said he will not. The change of mind follows Nato air strikes on Serb positions round Gorazde which were not co-ordinated with the Russian side.

On Sunday, he said: "We want a more serious and substantive agreement . . . an agreement that will exclude unilateral actions, particularly military ones in areas where we clearly have to co-operate."

Crans Montana: The Romanian capital Bucharest hosts its first big international conference since the Ceausescus fell in 1989, with the Crans Montana Economic Forum (to Apr 24). The meeting, devoted to emerging markets, is due to be attended by seven heads of state, 10 prime ministers and 13 foreign ministers.

Aluminium pact: Trade delegates from some of the world's big aluminium-producing countries meet in Brussels. They will discuss progress following their historic agreement, reached in January, to cut world output by between 1.5m and 2m tonnes. Western companies have announced annual cuts of more than 900,000 tonnes, but Russia is having difficulty reaching its objective of cuts of 300,000 tonnes by the end of April.

Kohl in Hungary: Chancellor Helmut Kohl of Germany visits Hungary to boost the country's governing conservatives ahead of elections on May 8. Germany has championed Hungary's bid to join the European Union, and Hungarian prime minister Peter Boross will want to make domestic political capital out of the special relationship.

Queen's Awards for Industry

The 1994 winners of the Queen's awards for export, technological, and environmental achievement are named today. The awards honour companies that have achieved an outstanding increase in export earnings, an advance in the application of technology or a benefit to the environment. They are held for five years from their announcement.

FT Survey: Queen's Awards to Industry.

UK retail sales: A disappointingly low 2.5 per cent annual growth in retail sales in February sparked fears that consumers were curbing spending ahead of this month's tax rises.

March figures, published today, will be watched closely by the markets for a further indication of consumer confidence. The City consensus, for a 0.3 per cent month-on-month increase, making the annual rise 2.7 per cent, is in line with CBI reports of modest growth.

Holiday: Brazil (markets closed).

In the week a Euro Disney rescue package is expected, France acts to protect the mother tongue

22 FRIDAY

Papandreou meets Clinton

US President Bill Clinton receives Andreas Papandreou, Greece's prime minister, at the White House in Washington. The US is expected to press Greece to be more flexible in its dispute with its neighbour Macedonia over its name and flag.

It is Mr Papandreou's first visit to the US since he founded the Panhellenic Socialist Movement (Pasok) 20 years ago. Previously, he lived in the US for 25 years, and headed the economics department at the University of California at Berkeley.

European steel: European Union industry ministers meet in Luxembourg. Discussions will centre on the steel industry and a Commission proposal to extend a rescue plan until November while companies finalise ways to cut 8m more tonnes of capacity in hot-rolled products.

Saleroom: Canaletto's A Capriccio of the Scuola di San Marco in Venice is the centrepiece of an auction of old master paintings by Christie's of London. The work, which dates from the 1740s, is estimated to fetch between £1m and £1.5m.

23-24 WEEKEND

G7 takes stock

Finance ministers and central bank governors from the Group of Seven industrial countries gather in Washington on Sunday to review economic growth, prospects for employment, and efforts to support Russia's struggling economy.

Their meeting – the third this year – may also focus on recent turbulence in financial markets, following the US decision in February to raise short-term interest rates.

Bafta awards: The British Academy of Film and Television Arts on Sunday presents its Production and Performance Awards for the best films, actors and television shows of the year.

El Salvador holds a run-off on Sunday in the presidential contest between Armando Calderon Sol, of the ruling rightwing Arena party, and Ruben Zamora, who heads a leftist coalition which includes the former FMLN guerrilla group. Mr Calderon Sol is the favourite, after just failing to gain 50 per cent of the vote in the first round.

Compiled by Patrick Stiles.
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ECONOMIC DIARY

Other economic news

Monday: UK producer price figures for March are expected to show continued wide margins, with input prices falling by 3.7 per cent compared with March last year and output prices rising by 2.8 per cent, substantially down from August's 4.3 per cent peak. The median forecast for the output price index, excluding food, drink, tobacco and petrol, points to "underlying" inflation of 2.5 per cent at the factory gate.

Tuesday: US merchandise trade figures for March should reveal a deficit of $9.3bn against $9.8bn in February. French visible trade should show a FFr4.9bn surplus.

Wednesday: Better weather should help US housing starts to rebound in March. But the expected surge to an annual rate of 1.42m from 1.31m in February may not last because of rising interest rates.

Thursday: Provisional figures for French consumer prices in March point to a drop in the year-on-year rate to 1.5 per cent from February's 1.8 per cent.

Friday: UK money supply figures may show a recovery in bank and building society lending to £1.5bn in March from £600m in February.

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	Japan	Mar trade bal, custom cleared	$14bn	$10.9bn
April 18	UK	Mar producer price index(input)**	-3.7%	-3.6%
	UK	Mar prod price index(output)**	2.8%	3.3%
	Canada	Feb building permits*	1%	0.4%
Tues	US	Feb trade goods and services	-	-$8.3bn
April 19	US	Feb merchandise trade BOP	-$9.3bn	-$11bn
	US	Feb merchandise exports	-$40.5bn	$39.5bn
	US	Feb merchandise imports	$49.5bn	$49.4bn
	Japan	March money supply**	1.9%	1.6%
	Japan	Broad liquidity**		3%
	Canada	Feb merchandise trade (C$)	1bn	870m
	Canada	March leading indicator*	0.4%	0.6%
	Canada	Feb wage settlement increases	0.6%	0.6%
Wed	US	March housing starts	1.42m	1.31m
April 20	UK	March unemployment rate	-25,000	-38,800
	UK	Feb average earnings	3.25%	3.25%
	UK	March PSBR	£11.1bn	£4.55bn
Thur	US	Initial claims w/e April 16	340,000	348,000
April 21	US	April Philadelphia Fed index	-	24.1
	US	March Treasury budget	-$35bn	$-41.6bn
	US	M1 w/e April 11	$0bn	$1.5bn
	US	M2	$7.5bn	$-0.4bn
	US	M3	$5bn	$0.3bn
	Japan	Feb consumer spending **	-	2.7%
	Japan	Feb income (workers)**		0.8%
	UK	March retail sales*	0.3%	-0.5%
	UK	March retail sales**	2.7%	2.5%
	France	March consumer price index**	-	1.8%
	Italy	April consumer prices (cities)**	4.1%	4.2%
	Canada	Feb retail sales*	0.5%	0.6%
Friday	UK	March M4*	0.6%	0.9%
April 22	UK	March M4**	5.8%	5.9%
	UK	Lending	£1.5bn	£0.6bn
	UK	Mar bdg scty new commitments	£2.8bn	£2.9bn
During the week...				
	Germany	Feb capital account	-	DM29.6bn
	Germany	Feb long term cap account	-	DM17.8bn
	Germany	Mar producer price index*	0.1%	0.1%
	Germany	Mar producer price index**	0.3%	0.2%
	Germany	Mar M3 from Q4 base	14%	17.5%
	Germany	Feb trade balance	DM6.7bn	DM5.9bn
	Germany	Feb current account	DM-2.5bn	DM-5.7bn
	Italy	Q4 GDP**		-0.48%
	Italy	Feb wholesale prices	4%	4.2%
	Italy	Feb producer price index	3.4%	3.5%
	Italy	Feb industrial production	1.4%	0.9%
	N'lands	Mar unemployment rate	7.9%	7.7%
	Spain	Feb trade balance	Pta-130bn	Pta-90bn

*month on month, **year on year

Statistics, courtesy MMS International.

MONDAY PRIZE CROSSWORD

No.8,431 Set by VIXEN

A prize of a Pelikan New Classic 390 fountain pen for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers will be awarded. Solutions by Thursday April 28, marked Monday Crossword 8,431 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Tuesday May 3.

Name.....

Address.....

ACROSS

1 Decline? Rubbish! (6)
4 Drawing off water for garden-raising (8)
10 Country people beginning to provide evidence (9)
11 Accommodated – may be taken aback! (3,2)
12 Make short work of the tall grass (4)
13 A girl's long hair gives much trouble (10)
15 Pressing for neatness (7)
16 Took it easy the oriental way when in debt (6)
19 Note the run to 1 dn (6)
21 Cowherd's awful food (7)
23 Loyalty to a certain party for instance is admitted by a union (10)
25 Some townspeople can obtain grants (4)
27 Were distracted about noon, only to start again (5)
28 Ivy is at all times aware of environmental responsibility (9)
29 The hanger-on equal to a position offered (8)
30 Man races to get in drink that's superior (6)

DOWN

1 After a sleep come down and check (8)
2 Irises shade the paving (9)
3 Support 1 down (4)
5 Turner the artist holding back to mount this (7)
6 Permission to cause a sensation (10)
7 A bit of an ordeal to some vocalists (5)
8 No longer the attitude taken to risk (6)
9 City family in fix (6)
14 When women are preparing for retirement they may well get put on (10)
17 Men wonted to organise income (9)
18 Public relations is the sole right accorded to a person sent down (8)
20 Dealing with a negotiator employed by chemists (7)
21 Many longed to be hidden away (6)
22 Persian ruler reducing Sparta to ruins (6)
24 What's put inside an ocean-going vessel (5)
26 The monstrous creature is sent up so! (4)

Winners 8,420

Mrs A.G. Olsen, Northampton;
R.W. Morgan, Croydon;
H.M. Saraff, Prague, Czech Republic;
B.J. Coutanche, Jersey;
Peter & Kim Burns, Gants Hill, Essex;
K.B. Hubbard, Leigh on Sea, Essex

Solution 8,420

JOTTER

هكذا من الاصل

FINANCIAL TIMES SURVEY

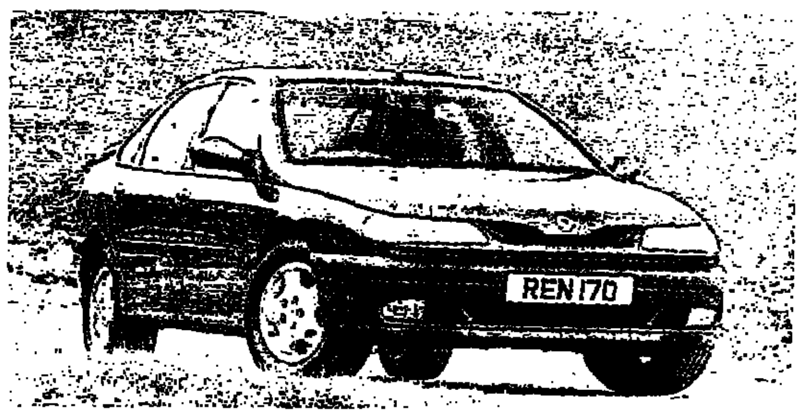
VEHICLE FLEET MANAGEMENT

Monday April 18 1994

Changes in the taxation of company cars have failed to shake their popularity as status symbols. In Europe, the entry of Japan's three UK-based producers has raised competition for business fleet orders to fever pitch, says **John Griffiths**


☐ Vauxhall-Opel Omega: General Motor's new executive sector challenger


☐ Rover 400 tourer: the BMW subsidiary's first venture into the premium estate car sector


☐ Renault Laguna: aggressive pricing aimed at winning substantial fleet business


☐ Peugeot's 806: is this the shape of 'multi-purpose' fleet vehicles to come?

IN THIS SURVEY

The mother of all battles

The business car market is crucially important to all car makers. In the UK and Germany, for example, it accounts for more than one-half of all sales.

In the past 15 months competition for business sales has reached fever pitch, stoked up by one of the steepest downturns on record in Continental European markets.

Although a frail recovery is now beginning, the competitive temperature is also being raised by other factors, notably the coming on stream of two more Japanese "transplant" car factories – Toyota's and Honda's – in the UK.

Nissan, the first, is now well established, having first begun production at Sunderland in the mid -1980s. But it has expanded well beyond original projections, last year making nearly 2850,000 units and *becoming the biggest car* exporter from the UK.

Toyota's and Honda's UK plants have been on stream only since the beginning of last year and are still climbing

Japan's three UK "transplants" see more business sales as vital

towards their combined *declared capacity of 300,000* units a year. Yet few expect that these plants will also not be expanded further, and in any case the EU is scheduled to become completely open to all Japanese cars, including direct imports from Japan, by the end of the decade.

All three know they must *have a firm presence in the* business car market for their long-term viability to be ensured – and are meeting fierce resistance from the indigenous European industry.

One of the predictable consequences is that the customers – the businesses, partnerships and individual entrepreneurs *operating an estimated* 10m-plus business cars on Europe's roads – are enjoying a buyers' market stretching *as far into* the future as the industry cares to look.

Also helping to hold down prices, and driving manufacturers and their dealers to offer business car operators an ever *more extensive* and sophisticated network of support services, is the continuing sharp debate on *variations in new* car prices within Europe and whether the existing system of exclusive new car dealerships – which requires an exemption from EU competition rules – should be allowed to continue *after the exemption* expires in mid-1995.

Not surprisingly, the industry *fears* a retailing "free-for-all", and has been trying to harmonise prices and *limit increases, in an attempt* both to mute the criticisms of consumer groups and to avoid upsetting *Brussels* while it ponders the "block exemption" options.

As a result, most *fleet managers* would appear to have little incentive to take advantage of the creation of the EU to *indulge in cross*-border shopping for cars.

The lion's share of fleet business traditionally *has gone* to a *country's* leading indigenous, or at least very long-established, producers – in the UK, that means *Ford*, Vauxhall, Rover and Peugeot. Few other manufacturers or importers have previously managed to secure more *than a one or* two per cent share each in the face of deep discounting – of 35 per cent or more in a few extreme cases – and other inducements by the majors to retain fleet business.

In addition, until the "transplants" began *generating* significant component and other jobs in the UK and Continental European sector, Nissan and other Japanese *companies* had to contend with widespread corporate hostility to "buying Japanese", and even Sunderland-built *Nissans* were proscribed from many fleets.

But as several annual surveys of company car policies now *show consistently*, this prejudice is fading fast in Continental Europe as well as the UK. Toyota claims *to* be already on the "approved" list of more than 500 sizeable companies in the UK alone.

To raise the competitive stakes further. North Ameri*can manufacturers are also* eyeing Europe's business car market as potentially fertile ground *for US-built niche* vehicles such as MPVs (multi-purpose vehicles) and recreational four-wheel-drives.

So far, however, Europe is showing no signs of imitating the US, where company car *provision is low and where* leasing of cars by individuals, rather than purchase, is gaining ground *rapidly*.

This is despite some gloomy prognostications in the UK, where steep rises in company car taxation imposed from the late 1980s until last year has prompted some industry *observers* and *accountancy* groups to suggest that many company car drivers, if offered a cash alternative, would take it.

In reality, the company car had long been seriously under*valued for tax purposes*. And company car policy surveys undertaken since the 1993 Budget – which claimed to have at last achieved tax "neutrality" for the company car – indicate clearly that no significant *decline in the company car* population is in prospect.

That will have come as no *surprise to people like* Mr Tony Vernon-Harcourt, joint editor of the annual Monk's Guides to company car policies in both the UK and Continental Europe. The perception that company cars are a peculiarly *British phenomenon* is just plain wrong, he points out. They have become a deeply-entrenched part of remuneration packages throughout Europe, with any tax advantages they may possess forming only part of the picture.

Perceived status, the freedom from servicing and repair "hassles", and from the stress of buying and selling cars privately all figure high on the *list of company car "pluses"*, while Monk's researches show that companies regard their ability to offer the "right" sort of company car as a useful weapon in wooing talented staff away from rivals.

Just one statistic makes the point – in 10 out of the 12 countries surveyed regularly *by Monks, at least nine out of* 10 general managers have an automatic entitlement to a car.

Surveys among wide cross-

Many firms have a poor grasp of their fleet costs and how to curb them

sections of the business community consistently indicate that many companies still have only a poor grasp of their true fleet costs and how to minimise them. *However*, as the number of factors to be considered multiplies, the manage*ment of company* fleets becomes an ever more demanding business.

To traditional *concerns such* as model choice, efficient purchasing, replacement cycles and maintenance organisation there have recently been added factors such as soaring insurance premiums and the requirement to take measures against the likelihood of theft. As a result, many companies have thrown their hands in the air and have *simply surren*dered their fleets to outside management.

Thus a new catch phrase has entered *the world of fleet man*agement: out-sourcing. Implemented to the full, it means a company simply receives a monthly *bill for everything* connected with its fleet from contract hire rentals to fuel statements.

"But outsourcing begs the question of just how far you go," according to Mr Geoffrey Bray, sales and marketing director *of Fleet Support* Group, who maintains that it can be an unjustifiably expensive "cop-out" by company *management*.

A sobering thought for many an in-house fleet manager...

Standardising Europe's car prices is thwarted by exchange rate turbulence, says **Kevin Done**

Convergence remains a fantasy

A closer convergence in new car prices across west Europe will remain "a mere fantasy", as long as the European Union is confronted with frequent significant exchange rate realignments, according to leaders of the European car industry.

The latest survey of car prices published by the European Commission at the end of last year showed that around 80 per cent of car prices from European manufacturers and 90 per cent of Japanese car prices had differentials across the EU of less than 20 per cent.

According to the Commission, Spain and Portugal are now the lowest price markets in the EU, while Germany is the highest (based on prices in November, 1993).

The issue of pan-European car pricing has been caught up in the growing debate about the future of the car industry's controversial selective distribution system, which allows the use of exclusive dealer networks.

As far as the European Automobile Industry Association (ACEA) is concerned, however, it is currency fluctuations that have the "decisive influence" on car prices. "Greater convergence of car prices in Europe will remain a mere fantasy as long as the European Union is confronted with frequent, significant exchange rate realignments and widely varying tax regimes," the association said in a recent statement.

This stance, broadly rejected by European consumer organisations, that are seeking the removal of exclusive dealer networks, has been given significant support by the latest European Commission price study.

The focus on carmakers' pricing policies across Europe is unlikely to ease in the near future, however, as the issue of price differentials is inextricably linked to the debate over the selective distribution system. In mid-1995 the present 10-year "block exemption", which controversially allows carmakers to use a selective dealer distribution system in contravention of European Union competition rules, is due to expire.

The exemption, granted in 1985, was conditional in part on car prices between member states not differing by more than 12 per cent in the long-term or by more than 18 per cent for periods of less than a year.

All EU manufacturers have price differences of more than 25 per cent for at least one model

Before the currency turmoil in the autumn of 1992, the motor industry had been warned by the EU competition authorities that a renewal of the block exemption would depend importantly on car manufacturers' performance in conforming with these limits on car price differentials.

Since the upheaval in the European exchange rate mechanism, carmakers have been able to seize on the currency issue in their defence.

Car manufacturers' efforts to reduce price differences had not been reflected in the prices published by the Commission, as they had largely been offset by recent currency realignments versus the ECU, said ACEA.

These had varied from a 3 per cent revaluation in the Deutsche Mark and the Guilder and 7 per cent devaluations of the Escudo and the peseta.

The Commission's latest study – the second of what is now becoming a regular biannual exercise – does accept that "car manufacturers have tended to reduce price differentials for most of their models", if monetary fluctuations are excluded.

When the effects of exchange rate changes are removed, about 90 per cent of all car price differentials covering both European and Japanese models are less than 20 per cent across EU member states, says the Commission.

The study shows that the biggest price disparities occur in the market segments for small cars, while the price differentials are not as marked for medium and large cars.

Spain was now the lowest price market in the EU according to the latest Commission survey, but as recently as June 1992 it had been the highest price market according to ACEA.

All European manufacturers have price differentials of more than 25 per cent for at least one model, however. The widest price difference in November was shown by the Seat Ibiza small car with a range of 41 per cent between the prices in Germany and Portugal.

Seat, the Spanish subsidiary of the Volkswagen group of Germany, currently has the widest price variations for identical models across the EU, according to the latest study, with 50 per cent of its models having price disparities of more than 20 per cent.

By contrast, the Volkswagen marque has significantly reduced its price differences from 50 per cent of its models having disparities of 20 per cent or more in the Commission's initial study in the first half of 1993 to only 10 per cent at the end of 1993.

Price differentials for Japanese models are on average lower than for European models, the Commission says.

According to a recent study published by Ludvigsen Associates on the issue of the block exemption, the present EU requirement for aligning prices across the Union is one of the "most difficult issues" facing the Commission in framing a new regulation.

"Price differences of more than 18 per cent will continue for reasons that have nothing to do with selective distribution," says the report, *Beyond 1995 : The Future of Car Dealer Franchising in Europe*. Rather than converging with the single market, such exogenous factors as currency fluctuations and national taxes are stubbornly resistant to harmonisation."

The Ludvigsen report supports the move by the Commission to encourage greater price transparency in the EU, however, through the biannual price study. It suggests that the requirement for such transparency could be made part of the regulation for a renewed block exemption.

It supports too the call from motor retailers for the practice of direct sales by carmakers to large fleet customers to be curtailed. "High volume purchasers can obtain much deeper discounts from manufacturers than the manufacturers' own dealers commonly can. Such customers include the daily rental companies, and the contract hire and leasing companies as well as large corporate fleet operators.

Some UK carmakers are sharply cutting or even eliminating dealer margins on selected new models

"The discounts available to daily rental companies, for example, often allow the car to be disposed of for more than the acquisition price," says the report published last month.

The UK Retail Motor Industry Federation in particular has criticised the "deep discounts which large fleet owners obtain from suppliers, which distort the price structure for other buyers."

The latest European Commission car price study noted that "a general downward trend" for car prices in the EU had occurred during 1993. It is unclear how far this trend has been reflected in actual prices for the final car buyer, however.

In the UK some carmakers are sharply cutting or even eliminating dealer margins on selected new car models in a move to reduce the list prices in particular of entry level models, the cheapest cars in a manufacturer's range.

One of the first to take such action has been Volvo, the Swedish carmaker, which has eliminated the dealer margin on its entry level cars and has replaced it with a handling charge.

Volvo accepts that the actual transaction price paid by the customer on its cheapest models has not changed, but the elimination of the dealer margin had removed any discount and haggling, and the list price now represented the transaction price.

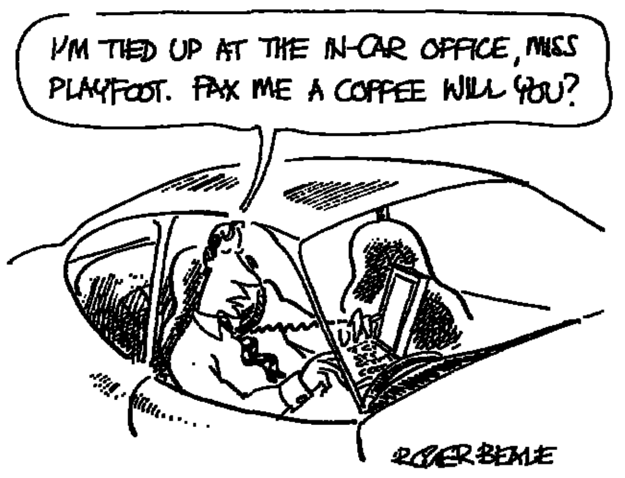
"Before with discounts it was possible to get down to the prices we are now advertising, but now we can include these prices in our list prices. We are legitimising the cut-price deals that were being done before, but which we could not advertise. Our dealers wanted a car below £10,000 again, after our price increases last September had taken our cheapest cars well over £10,000."

Volvo has not yet decided whether it will extend the initiative in the UK to other models. "We are treating this as a pilot scheme. If it is successful, we could look elsewhere in our range."

Mobile telephones just keep on proliferating, reports **Paul Taylor**

The car becomes an office

Leaving the office used to mean saying goodbye to phone, fax and computer. In the last decade, however, technology advances, particularly in data processing and cellular radio-telephony, have led to the birth of the mobile office.



The mobile telephone, in particular, has quickly established itself as an effective business tool in the UK and elsewhere in Europe. Since the introduction of cellular radio services in Britain in 1985, the number of subscribers to the two original analogue national networks, Cellnet and Vodafone, has grown to around 2.1m – or almost a fifth of the total 9.5m users in Europe.

Most of these subscribers are business users, many of whom started with a dedicated carphone but have more recently moved to handportable telephones. Many of these lightweight pocket-sized handsets can also be used in conjunction with a car-kit which removes the limitations of battery life and provides better reception.

The clear advantage of handportables is that they travel with the user – not the vehicle – so they can be used almost anywhere.

Nevertheless, some large fleet buyers have continued to buy dedicated carphones because of the substantial cost savings available with bulk equipment purchases.

Over the past 18 months the range of mobile telecommunication equipment and services has proliferated. In particular, the advent of digital cellular technology has spawned a second generation of cellular networks in the UK and Europe, and encouraged the operators of the traditional analogue networks to repackage their services in a broader range of tariff structures aimed at different segments of the market.

For example, the two analogue network operators in the UK now offer six different tariffs. Both have built digital network services based on the pan-European GSM standard – Vodafone has developed two service offerings, Metrodigital and Eurodigital on its GSM network.

Although the uptake of these new GSM services has been relatively slow in the UK where the analogue networks are well-established and provide superior coverage, elsewhere in Europe, especially Germany, GSM services have grown rapidly.

The business traveller in particular stands to gain some considerable advantages from digital services such as GSM.

Digital services provide clearer and more reliable connections which are also more secure from eavesdropping. By the mid-1990s GSM customers will be able to travel throughout Europe using the same handset.

In the UK, a second set of digital services based on a subset of the GSM standard dubbed Personal Communications Networks (PCNs) have also appeared. Mercury One-2-One, the first PC service in Europe, was launched in the UK last autumn, and Hutchison Microtel plans to launch a rival service this month.

Elsewhere in Europe, Germany has licensed one PCN operator and France is licensing another. It remains to be seen whether these services prove attractive to business travellers in the longer term as PCN services were originally envisioned as primarily urban services aimed at individual customers.

Mercury One-2-One, which offers both personal and business tariffs, has a limited appeal for the moment as its service availability is confined to London and the south east, although this is being steadily extended.

This fragmentation of the cellular market has added to customers' confusion. Already some vehicle fleet operators find they are inheriting a haphazard collection of equipment, service contracts and billing systems.

According to Mercury Mobile Services, an independent service provider, many corporate users do not know how many mobile phones they have or how they are being used. To address this problem, MMS offers a "free mobile communications audit" and a "consolidation service" which has been used by corporate clients ranging from Digital Equipment to Shell, the Automobile Association and UPS.

However, cellular telephony is not the only communications choice available to large corporate fleet operators. Some large customers, including local government and utilities, which only require vehicle-to-vehicle or vehicle-base communications, have discovered that public access mobile radio (PAMR) networks such as National Band Three (NB3) in the UK can offer significant cost advantages.

NB3's network covers 85 per cent of the UK population and now claims more than 45,000 subscribers ranging from transport, distribution and construction companies to couriers, construction companies, waste disposal organisations and security firms.

PAMR networks can also offer highly competitive mobile data services to customers who require voice and data communications, or just data for example to log and track fleet vehicles.

As the use of portable fax machines and "notebook" portable computers has grown, so too has the demand for mobile data transmission. Not surprisingly, this can be done in a growing number of ways, for example by using modems with the existing cellular telephone networks; by using PAMR or private mobile radio networks; or the services of dedicated mobile data network operators.

Generally, transmitting data over an analogue cellular system is far more difficult than over the "fixed wire" public telephone system. One increasingly popular alternative is to use dedicated mobile data services such as the Ram Mobile Data network in the UK which, like most other dedicated mobile data networks in Europe, is based on Ericsson's Mobitex technology.

Although mobile data services have generally grown more slowly than expected, the expansion of mobile computing and the next generation of portable digital assistants (PDAs) such as Apple's Newton is expected to lead to growth by the end of the century.

Poll reveals quirks of the mature manager, says **Kenneth Gooding**

Cabriolets and the over 40s

Now here's an interesting fact: the older the manager of a company car fleet, the more likely he or she is to restrict the choice of car available to employees.

This emerged from a recent survey by Lex Vehicle Leasing when more than half the companies questioned said they would not allow employees to have "exotic" vehicles such as four-wheel-drives, sports cars and cabriolets.

Lex's explanation: "This suggests that, as far as the fleet manager is concerned, a company car is a tool of the trade and to be used for the company's purpose. Therefore, non-standard cars may be considered inappropriate."

Older fleet managers, those over the age of 46, were the most likely to restrict choice of vehicles: 63 per cent of this age group offered no choice of exotics compared with 47 per cent of those under 35. "This may be explained by the fact that older fleet managers are more likely to be found in larger companies where company policy is likely to be more tightly defined," says Lex in its 1994 "Report on Motoring."

Perhaps the most important trend to be pinpointed by the survey was that, despite a reduction in Britain's white collar workforce, debates about the future of the company car and imminent changes in the system of company car taxation, there was no evidence that companies were phasing them out. Nor were employees pushing for cash in lieu of a company car.

These findings are reinforced by research by PHH Vehicle Management Services which showed no sign of any decrease in company car popularity.

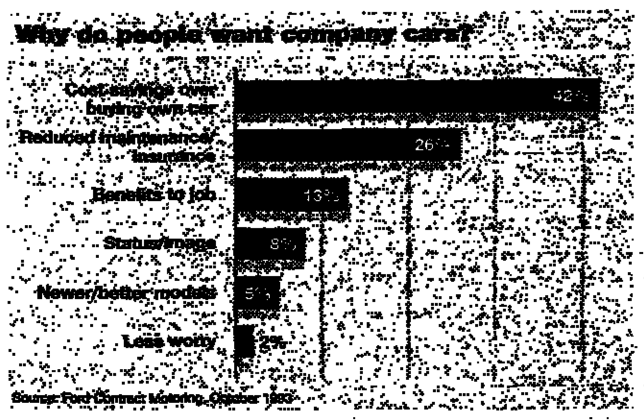
Its survey revealed the most significant factor behind any increase or decrease in a company's fleet size was a corresponding change in the size of the workforce.

Only 1 per cent of company car drivers questioned for the Lex survey reported that their company was phasing out company cars. More than half, 51 per cent, reported no change of any kind in their company's policy towards company cars.

The most significant change in policy was that about one in every five drivers, 21 per cent, said that their employers had delayed renewal of company cars during the previous year.

The survey showed that only 2 per cent of those questioned had had to give up their company car during the past two years. Of these, 65 per cent had become ineligible for a company car either because they had changed jobs or because they no longer had a job. Only 11 per cent of those who no longer had a company car claimed to have opted for cash or a salary increase within the same company instead of the use of a car.

The Lex survey, research for which was carried out by MORI last October, showed most company car drivers seemed to think of their cars as "tools of the trade". No fewer than 69 per cent of those surveyed believed their vehicle to be essential for their job.



This rose to 96 per cent among those who travelled more than 12,000 miles on business each year. In all, only 15 per cent of company car drivers thought of their car as a "perk" and simply part of their remuneration package. Interestingly, over three-quarters of directors and partners considered their vehicle to be essential to carry out their jobs effectively, compared with fewer than half the senior managers questioned.

Changes to the personal taxation on the benefit of having a company car, introduced in April this year, seemed to have had little impact on the opinions or actions of company car drivers, says the Lex survey.

More than one in three of them, 36 per cent, had not or did not expect to react in any way to these changes. However, 24 per cent of those questioned said they had asked for, or were likely to ask for, a pay rise, because they assumed the new tax system would make them worse off. Only 14 per cent of drivers said they had asked for, or were likely to ask for, a cheaper car to compensate for the rising tax burden.

Lex found that a high proportion, 38 per cent, did not know how much company car tax they paid. It suggests that this might be because the tax is usually wrapped into the driver's general tax code and paid via PAYE.

Company car drivers, particularly those who clock up more than 20,000 miles a year, admitted to more motoring offences than private drivers. According to Lex, more than three-quarters (76 per cent) admitted to speeding on normal roads compared with 59 per cent of private drivers. Company car drivers were also more likely to park illegally, intentionally drive through a red light, not to "belt up," and to drive a car while over the legal alcohol limit.

Paradoxically, despite this somewhat cavalier attitude towards motoring offences, many company car drivers felt strongly about safety features in cars. They appeared more interested in safety features than in security measures.

The fitting of air bags, anti-skid breaking and side-impact protection bars featured highly in company car drivers' aspirations. Nevertheless, Lex found that company car drivers expected to have security features such as central locking, car alarms and deadlocks on their cars.

In spite of recent reports about concern among women about their safety while travelling alone, only 28 per cent of companies said they took special measures to protect female company car drivers. Once again, the older the fleet manager, the greater was his or her concern.

More than eight out of 10 (82 per cent) of the drivers questioned said they would replace their car if they no longer had a company vehicle. Of these, just under two-thirds (62 per cent) would replace their company car with a used vehicle and 31 per cent said they would buy a new one. Most (80 per cent) said they would buy a car of similar quality and type to the one provided by their companies.

● *"The Lex Report on Motoring – the Company View," £150 from Lex Vehicle Leasing in the UK on 0628 898000.*

Japan-UK plants chase bulk sales, says **Kevin Done**

Triple offensive

The three Japanese carmakers – Nissan, Toyota and Honda – are seeking to increase significantly their presence in the UK fleet market as output grows from their UK car assembly plants.

The fleet market – defined as sales to companies running 25 or more vehicles – accounted last year for 42 per cent of the overall UK new car market of 1.78m. Its share has jumped from only 27 per cent in 1987.

The business market – defined as sales to companies running between two and 24 vehicles – accounted for additional sales of around 350,000.

Nissan, which has the largest share of any Japanese carmaker in both the UK and in west Europe, estimates that two out of every three new car purchases in the UK are made with company money.

These sectors cannot be ignored by any of the world's leading carmakers aiming to capture a significant share of the UK new car market.

As long as the Japanese car producers were constrained by quota limits on direct vehicle exports from Japan, they preferred to direct their main attention to the retail market, but that picture is now changing dramatically, as they build up local sources of production in Europe.

Nissan, Toyota and Honda have their first European car assembly plants in operation and they are all located in the UK. As far as the fleet market is concerned, this gives them the opportunity of breaking through any remaining prejudices on the part of the big fleets against buying cars that are not British or European-built.

The quota restraints on direct exports from Japan are in any case being eased, as the European Union moves towards removing all restrictions on car imports by the end of 1999. In the case of Nissan, the remaining quota restrictions are already of little significance for its UK sales efforts, however, as 70 per cent of the vehicles it sells in Britain are now European-built.

It was the first Japanese carmaker to begin car production

'We are going forward carefully and comfortably'

in Europe in 1986, and by last year its output in the UK had jumped to 246,281 of which 74 per cent were exported.

Honda and Toyota both began car production in the UK in late 1992. Toyota output at its plant at Burnaston, near Derby, totalled 37,314 last year and is forecast to rise to 100,000 this year. Honda produced 32,139 cars at its plant at Swindon, Wiltshire, last year and this is expected to reach 100,000 in 1995, when it adds assembly of a second car range.

All three Japanese carmakers chose large family cars as their first models for local production in Europe, models which sell to the heart of the fleet market. The Nissan Primera, the Toyota Carina E, and the Honda Accord are competing directly with the best-selling fleet cars of Ford and Vauxhall, the Mondeo and the Cavalier.

Honda claims that it is targeting the user-chooser company car driver rather than the large fleets, which have only one of two makes. "There is little profit in that sector," it says, "and competition between Ford and Vauxhall is cut-throat." It expects around 50 per cent of the UK sales of its Swindon-produced Accord to be company purchases.

Honda says that it cannot match Ford and Vauxhall discounts, but it claims that the overall running costs of the Accord are lower than for its rivals because of better second-hand values.

Nissan has faced a particular sales and marketing challenge in Britain, as it seeks to rebuild its share of the UK market following the setbacks it suffered during its long-running legal battle with Nissan UK, its former independent importer/distributor controlled by Mr Octav Botnar.

It has only held direct control of its UK sales and marketing operations since the beginning of 1992, when it started with a total of 150 dealers.

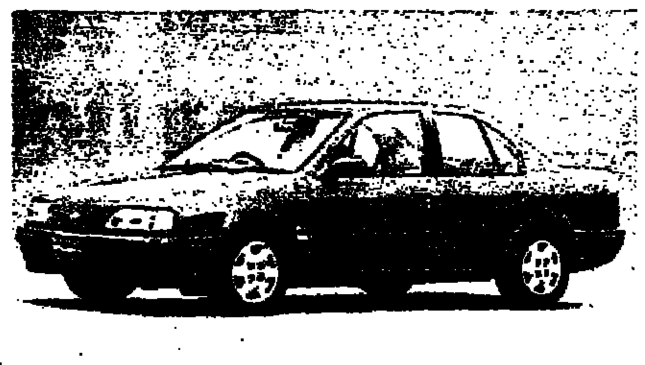
Nissan's share of the UK new car market had held steady at around 6 per cent throughout the 1980s, but slipped to only 4 per cent in 1991 at the height of its conflict with Mr Botnar.

With an expanded dealer network – it is being increased from 294 at present to 330 by the end of the year – Nissan is aiming to raise its share of the UK new car market to 5.5 per cent in 1994 from 5 per cent last year and 4.7 per cent in 1992 according to Mr Andy Green, sales director of Nissan Motor (GB).

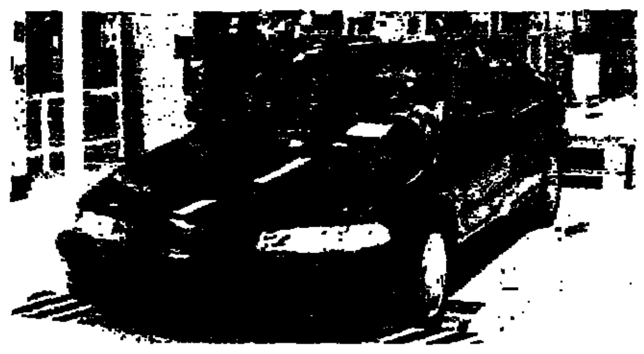
As part of this effort it is increasing its presence in particular in the fleet market. Mr Green forecasts that fleet sales will account for 25 per cent of Nissan's new car sales this year compared with less than 20 per cent in 1993.

While the fleet sales market is dominated by the traditional big four groups in the UK new car market, Ford, General Motors (Vauxhall), Rover and the PSA Peugeot Citroën group of France, the Japanese carmakers are beginning to gain ground.

☐ Toyota Carina E XLi, made at Burnaston, Derbyshire



☐ Nissan's Primera, a large family car made at Sunderland



☐ The Honda Accord, made at Swindon, Wiltshire

Ford, Vauxhall and Rover all lost share in the fleet market last year. By contrast Nissan raised its share to 2.7 per cent from 1.6 per cent a year earlier, while Toyota increased its share to 1.6 per cent from 1.0 per cent in 1992. The earlier dominance of Ford, Vauxhall and Rover in the fleet market has been undermined, and the share of these three has fallen from 89 per cent in 1987 to 69.3 per cent last year.

Nissan has raised its fleet car sales from 5,431 in 1991 – the low point when it was still immersed in its legal fight to take control of the franchise – to 10,890 in 1992 and 19,939 last year.

According to Mr Simon Rutherford, NMGB national fleet sales manager, Nissan is aiming to increase its fleet sales to around 24,000 this year to claim around 3 per cent of the fleet market.

Nissan has built up a 16-strong fleet sales department including six field staff, and is now running a fleet of 400 demonstrator vehicles. Two managers specialise in looking after the top 80 contract hire and leasing companies in the country.

Having reached its initial targets in the market for large fleets, Nissan has also started to pay more attention to the local business and medium fleet sectors with the launch of its Nissan In Business dealer programme. To date 52 of its larger dealers have been selected to join the initiative, which is designed to complement the group's national fleet activities and build more company sales in local markets.

Toyota started preparing its fleet sales activities in 1990 in preparation for the start of production of the Carina E in the UK at the end of 1992. In 1990 its fleet sales totalled only 1,326, but sales have doubled each year since to 2,690 in 1991, 6,521 in 1992 and 12,120 last year.

In the same period the share of Toyota's UK sales derived from the fleet market has risen from 3 per cent in 1990 to 23 per cent last year, while its share of the overall UK fleet market has jumped from 0.2 per cent to 1.6 per cent in the same period.

Toyota is aiming to increase its fleet sales again this year by close to 50 per cent to 18,000 according to Mr Brian Mahony, Toyota (GB)'s corporate business director. He expects fleet sales to be accounting for as much as 30 per cent of Toyota's total UK car sales by the end of the year with the share reaching as much as one-third over the longer-term.

The UK-produced Carina is accounting for 55-60 per cent of Toyota's fleet sales, and half of the group's fleet sales are to contract hire and leasing companies.

From one person in 1990 the Toyota (GB) fleet sales department has grown to 14, its fleet of demonstrator vehicles has jumped from 8 to 200, and its database of potential fleet customers has climbed from 1,200 to 11,500.

Toyota has chosen 80 dealers from its 270-strong network as its main strategic fleet dealers, and it is here that it has concentrated its specialist training efforts. "We are now a player in this market, and we are going forward carefully and comfortably," says Mr Mahony.

■ **User profile:** LUCAS

Preference for Rovers

Restructuring, downsizing, re-organising – all flourishing euphemisms to disguise the painful need to get costs into line with sales. Of all the perks once available to company executives, the great taboo, the car, is under attack from all directions.

Lucas Industries is another example of what can be done with a bit of creative attention resulting from commercial pressure. In the course of a year Lucas now reckons to be making savings of £3m through significantly changing its company car practices. While the overall car pool has stayed constant, with around 2,000 vehicles, its sourcing and servicing of that pool has considerably altered.

There are two categories of employees entitled to a company car at Lucas, the essential user – where it is a tool of the job, a function of doing thousands of miles annually on company business – and management executives whose position in the company hierarchy entitles them to a car as part of their overall package.

In January, 1993, the company began looking into its company car polices, with a view to tightening up the costs and bringing some managerial order to what was rather a hotch-potch of choice. "In a sense we were running what was a whole series of mini-fleets, which was both very expensive and sometimes confusing. It didn't make a lot of sense," says the company.

Until last year both categories of user – essential car and management – were able to exercise a reasonable amount of choice over brand and model; users were able to choose from six different manufacturers, have any model within a certain price bracket, and could choose from diesel or petrol

No longer. In cost-conscious times some things have to go, and essential car users now are restricted to one brand of car – Rover – under a solus agreement. Mr George Simpson, formerly chairman of Rover, is to take over as chief executive at Lucas in May.

Another fundamental change is that all Lucas's essential car users must these days drive diesel cars, and choice of models has been circumscribed. These fundamental changes have not been applied to the management car, over which the individual still has a choice of manufacturer and model. Lucas argues that as the company car for this grade of employee is still seen as an incentive, part of the overall salary package, the decision to leave things as they were is justified.

A further significant change is that Lucas now operates a policy of contract hire, where previously it owned its fleet. Lex Vehicle Leasing now manages the fleet. "This minimises our administration costs and we can utilise their fleet management expertise," say Lucas.

So far, the company has not offered cash incentives to its employees to rescind their company car. But the company is making it possible for individuals within the management car bracket to downgrade their vehicle, in order perhaps to get a smaller car and a variable sum of money, rather than stick with large, plush models.

And as for the April 6 tax changes, Lucas thinks they will not really affect its policies, but will naturally influence individual decisions in ways yet to be seen. Perhaps the only safe prediction is that many more individuals are likely to be thinking more carefully about precisely what benefits accrue from possessing a company car – which in turn may erode its already tarnished status as a status object.

Gary Mead

VEHICLE FLEET MANAGEMENT 4

On this page, **John Griffiths** examines the implications of UK tax changes for company car owners

Simplicity and clarity at last

On April 6 the Inland Revenue introduced a new regime for taxing the private benefit employees enjoy from the use of their company cars.

Out went the awkward 20 year-old system under which tax payable was assessed by means of scale charges on a matrix of car price and engine capacity bands. In came a much simpler system, based on a straightforward percentage of a car's list price plus extras at time of purchase.

The new regime has a considerable impact on individuals and their current cars, creating thousands of winners and losers in net tax payment terms. But it is claimed by the Government not to increase the overall burden of company car taxation. In the Government's view, the company car became tax neutral – in other words, as a benefit it became taxed fairly – when scale charges were last increased for the 1993/94 tax year.

Impact on individuals aside, there is one very considerable benefit in the new regime for all involved in company cars:

Because it is based on fixed percentages of list prices, the regime is self-adjusting. Provided the government makes no changes to the percentages themselves – and this would be difficult now that it has proclaimed the level of company car taxation to be fair – the assessed taxable benefit will rise automatically with new car prices. Fleet managers and company car users alike should have a more stable framework within which to plan policies or make car choices.

For the motor industry and the dealers, especially, the new regime should thus end the period of uncertainty which traditionally set in before each Budget, as rumours circulated about how much company car taxes were likely to rise that year.

Particularly at the end of the 1980s, there was good reason for the company car sector to be fearful every time the Chancellor rose to his feet, because company car taxes were more than doubled within five years.

The essential elements of the new regime are:

● All employees earning over £8,500 a year and with the benefit of private use of a company car are liable to pay tax on this benefit.

● The benefit is calculated as a percentage of the list price of the car plus extras, and is variable by two factors – the business mileage covered each year by the user, and the car's age.

● The highest percentage, 35, applies to a user covering less than 2,500 business miles a year in a car less than four years old. This percentage is reduced by one third, to 22.33 per cent, where the business mileage is between 2,500 and 18,000. When business mileage is over 18,000 this percentage is halved, to 11.67 per cent.

In turn, each of these percentages is reduced by one-third in cases where a car becomes more than four years old during the tax year under assessment. Thus, the 35 per cent assessment would become 23.3 per cent; the 23.33 per cent drops to 15.56 per cent, and the 11.77 to just 7.78 per cent.

As a result of intensive lobbying by luxury car makers such as Rolls-Royce and Aston Martin, whose £100,000-plus cars would be excessively disadvantaged by the scheme, there is a cap, or list price upper limit, of £80,000 above which the same tax would be assessed irrespective of price.

When the outlines of the list price scheme were announced, speculation was rife that a market could rapidly develop in extras fitted after the purchase, to lower the tax burden.

Since then, however, the Inland Revenue has framed its definitions more tightly and the list price has to comprise:

● manufacturer's, importer's or distributor's published list price on the day preceding registration, plus VAT (the 10 per cent special car tax was abolished in two stages last year);

● delivery charges, including VAT;

● list price of accessories installed before the car is delivered to the employee, also including VAT and fitting charges;

● plus the list price, plus VAT and fitting, of any accessories fitted subsequently costing more than £100.

Accessories in this category fitted before July 31 are exempt. Employees can make a capital contribution to the car, for example in order to obtain a better vehicle than the one to which they are ordinarily entitled.

Doing so reduces the list price pound-for-pound for tax purposes up to a maximum contribution of £5,000. Any higher payment by the employer will be disallowed for tax purposes.

The Inland Revenue has also moved to plug one small loophole in the previous taxation regime which allowed mainly perk users to run expensive classic cars on a low-tax basis. These were classified, under the old regime, as merely cars over four years old of a certain engine capacity, even if the car in question was a £250,000 Ferrari from the 1950s or 1960s.

Hopes that a similar car could be valued for tax purposes on its 40-year-old list price have been dashed: if it is adjudged to have an open market value of £15,000 or more the Inland Revenue will value it.

There are no changes to the basis on which fuel provided for an employee's private benefit is taxed. This is the one area which is not self-adjusting and for the current tax year is assessed at £640 for a car of under 1.4 litres, £810 for 1.4-2 litre cars, £1,200 for over 2 litres, and £590 and £750 respectively for diesels of under and over 2 litres.

In all cases, the employee will actually pay 25 per cent or 40 per cent of all the above amounts, depending on his or her marginal tax rate.

Employers must also pay National Insurance contributions amounting to 11.2 per cent of the benefit to the employee of private use of the car and on the fuel benefit where applicable.

They will face a number of other new obligations, including to make quarterly returns, starting in July, identifying who has received, changed or handed back a company car and when, together with details of model, fuel used, and price, any contribution by employee and the expected annual business mileage.

TABLE 2: BREAK-EVEN LIST PRICES

Banding	Breakeven list price (£)	Annual taxable benefit (£) 2,500 miles or less	2,501-17,999 miles	18,000+ miles
More than £29,000	43,029	15,060	10,040	5,020
£19,251-£29,000	26,614	9,315	6,210	3,105
Less than £19,250				
Engine size				
1400cc or less	9,900	3,465	2,310	1,155
1401-2000cc	12,814	4,485	2,990	1,495
Over 2000cc	20,571	7,200	4,800	2,400

Source: Ernst & Young

TABLE 4: HOW MUCH WILL YOUR CAR COST YOU? (£)

Model	List price	Old scale charge	New benefit value	Difference	Change to tax bill
Rolls-Royce Silver Spur III	119,428	10,040	18,667	8,627	3,451
Porsche 911 3.6 Turbo	80,499	10,040	18,667	8,627	3,451
Mercedes-Benz SL 500	74,400	10,040	17,360	7,320	2,928
Jaguar XJ 12	48,800	10,040	11,387	1,347	539
BMW 730i V8	38,550	10,040	8,995	-1,045	-418
Range Rover Vogue SE	36,130	10,040	8,430	-1,610	-644
Jaguar XJ6 4.0S	33,700	10,040	7,863	-2,177	-871
Rover Sterling	27,995	6,210	6,532	322	129
BMW525i SE	25,850	6,210	6,032	-178	-71
Saab 9000 CSE 2.0i	20,245	6,210	4,724	-1,486	-594
Ford Granada 2.0i Ghia	19,150	2,990	4,468	1,478	591
Audi 80 2.0E	16,529	2,990	3,857	867	347
Vauxhall Carlton Plaza 2.0i	15,950	2,990	3,722	732	293
Vauxhall Cavalier 2.0 SRi	14,325	2,990	3,343	353	141
Ford Mondeo 1.6 GLX	13,300	2,990	3,103	113	45
Rover 214 SLi	11,985	2,310	2,797	487	195
Peugeot 405 GL 1.6i	11,820	2,990	2,711	-279	-111
Ford Escort 1.4L 3dr	9,775	2,310	2,281	-29	-12
Mini Mayfair	6,795	2,310	1,586	-725	-290

Figures assume business mileage of between 2,501 and 17,999 and a 40 per cent taxpayer. Source: W.F. Corroon

TABLE 1: 1993/4 TAX SCALE CHANGES

CARS UNDER 4 YEARS OLD

Original Market value £	Engine size cc	High business mileage (18,000 miles or more) £	Average business mileage (2,501 to 17,999 miles) £	Low business mileage 2,500 miles or less) £
Up to 19,250	0-1400	1,155	2,310	3,465
	1401-2000	1,495	2,990	4,485
	2001+	2,400	4,800	7,200
19,251 to 29,000	All	3,105	6,210	9,315
Over 29,000	All	5,020	10,040	15,060

CARS OVER 4 YEARS OLD

Original Market value £	Engine size cc	High business mileage (18,000 miles or more) £	Average business mileage (2,501 to 17,999 miles) £	Low business mileage 2,500 miles or less) £
Up to 19,250	0-1400	790	1,580	2,370
	1401-2000	1,015	2,030	3,045
	2001+	1,610	3,220	4,830
19,251 to 29,000	All	2,090	4,180	6,270
Over 29,000	All	3,330	6,660	9,990

Winners and losers

Hundreds of thousands of winners and losers have been created by the revised company car taxation system, even though the government does not expect to increase its tax intake.

The majority of the UK's estimated 2m company car users should see their tax bill this year rise or fall by only small amounts following the introduction of the new system earlier this month.

But some are in for a nasty shock with fundamental implications for their, and their companies', future car choices and policies.

Increases of up to £600 in actual tax payable may be faced by the many executives who cover between 2,500 and 18,000 business miles a year and operate so-called "tax break specials" – cars costing just under the old £19,250 price band and with engines of just under two litres.

What makes an employee a winner or loser and how are the sums involved calculated?

The process is relatively simple.

The accompanying tables show:

● TABLE 1. The tax scale charges for 1993/94 plus the price and engine capacity bands by which they were determined. The table also shows reductions in the assessed benefit occasioned by three business mileage thresholds – under 2,500 miles, between 2,500 and 18,000 miles, and over 18,000 miles.

The new tax system is based on a percentage of the car's list price. The percentage for a driver covering under 2,500 business miles is 35 per cent; for between 2,500 and 18,000 business miles this reduces to 23.3 per cent; and to 11.67 per cent for over 18,000 business miles.

Drivers should deduct a further one-third in each case if the car becomes more than four years old during the relevant tax year.

● TABLE 2 provides a reference guide to the break-even points between the old regime and the new.

Take, for example, drivers who covered 2,500 to 18,000 business miles in 1.4 to two-litre cars costing up to £19,250 under the old system. They will have to run a replacement car costing no more than £12,814 if a higher tax bill is not to be incurred.

It is in this category that some of the loudest squeals of protest are being heard.

● In TABLE 3, where car list prices intersect with the old scale charge band, drivers can ascertain the increase/decrease in their tax assessments.

● TABLE 4 shows specific examples of winners and losers among drivers covering 2,500 to 18,000 business miles on a 40 per cent marginal income tax rate.

The heaviest losers are those driving less than 2,500 business miles a year with cars at the £80,000 ceiling where an additional actual tax bill of £7,100 will be incurred.

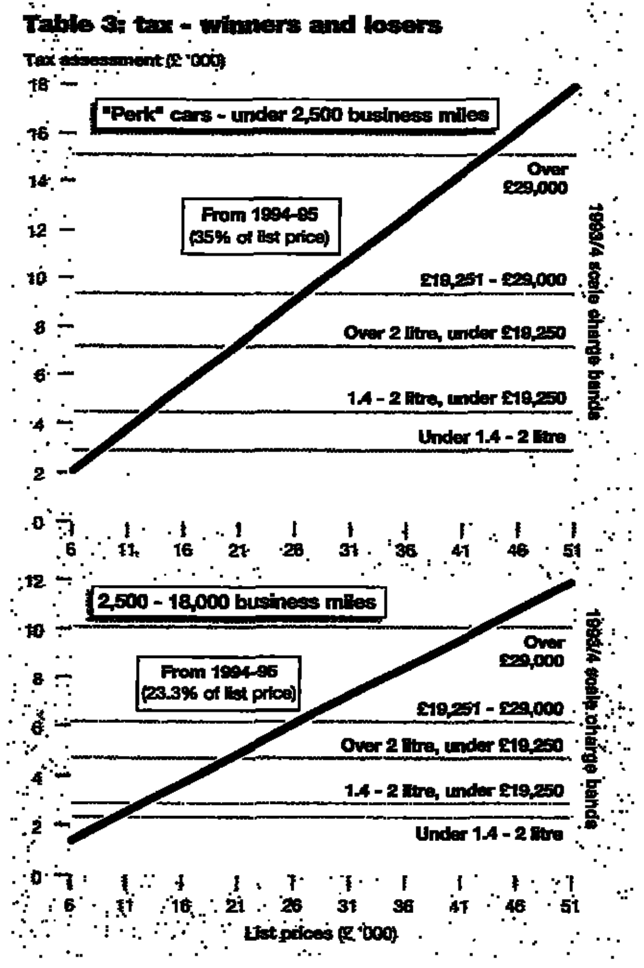
Just how many losers there are likely to be in the middle manager category was underlined in February by a study of 255 business organisations from W.F. Corroon, the human resources and employee benefits consultants.

It found that most middle managers drive Fords, Vauxhalls and Rovers costing between £16,000 and £23,600 and that 56 per cent would have £600 increases in their tax bills.

However, such drivers are unlikely to receive much sympathy from those with more utilitarian cars in the under two-litre category.

A sales rep driving a basic 1.6 litre car costing £7,000 less than an executive's "tax break special" was, under the old banding system, paying the same as his more well-heeled counterpart.

Table 3: tax - winners and losers



Car versus cash: trick or treat?

Under new tax rules nearly 60 per cent of UK executives would be better off swapping their company cars for extra pay and a mileage allowance, according to a survey by Stoy Benefit Consulting.

Almost one third would benefit by more than £750 a year, the company concluded.

Stoy Benefit's survey, which was undertaken after the new tax regime was announced last year, looked at 5,400 companies operating a total of 189,000 cars.

It claimed to be the largest ever undertaken in the business cars sector and was particularly useful for fleet managers. This was because it based its calculations about employee benefits on the premise that costs to the company of a cash scheme should be the same as if company cars continued to be provided.

However, the survey found that the other 43 per cent of executives would benefit from keeping their cars – nearly one quarter of them to the tune of £700 a year or more.

The conclusion, according to Stoy Benefit's managing director, Mr Brian Friedman, had to be that, while the company car was no longer as tax advantageous as it used to be, "there are still many for whom it remains so".

> Whether an individual is better off with cash depends on many variable personal factors

The government's policy towards taxing company cars "may, therefore, be said to have been effective in producing the much more balanced position revealed by the survey", he added.

However, whether an individual is better off taking cash instead of a car depends very much on personal circumstances and requires analysis of a number of variables.

These could include the mix of business mileage to private mileage, the cost of finance, interest foregone and the mileage rate for use of a private car on business.

Several tax consultancies and accounting groups, such as Coopers and Lybrand, KPMG Peat Marwick and BDO Binder Hamlyn, have developed complex computer models to make these evaluations.

Given the correlation now existing between price and taxation levels, companies should clearly encourage the type of employee reassesment which might encourage staff to hold on to company cars, albeit cheaper ones.

This is because the lower the list price, the lower the company's own costs, including the pro rata reduction of the 10.2 per cent National Insurance Contributions the employer is obliged to pay on the employee's private benefit of the car.

Another good reason for doing so, suggests remuneration and consultancy and actuarial group Wyatt, is that many companies have little idea of the daunting costs of running a private car.

When they make cash offers in compensation for a car they could be storing up industrial relations problems for the future, once employees find out the costs of providing their own cars even with company mileage allowances.

Most offers "fall far short" of actual costs, according to Wyatt's annual study of company cars and flexible benefits packages.

Also "few employees have a clear idea how to calculate the true value of a company car in their personal circumstances", the study, based on a survey of 260 companies operating fleets ranging from a few dozen cars to several thousand, concludes. It found that 69 per cent of organisations surveyed were responding to taxation changes by reviewing their company car policies with 28 per cent of the total offering a cash alternative to the car – more than double the 1992 rate.

Popular methods for working out the cash benefit included ensuring that it did not cost the company any more than the car or providing the notional cost of contract hiring a car.

However, even in companies offering the cash alternative, the take-up rate was found to be very low – no more than 10 per cent.

The Wyatt study concludes: "Even given a more or less neutral cash alternative offer, in the absence of a positive communication and selling programme, few employees are likely to choose the cash alternative.

"And most employees (85 per cent of those surveyed) still want to retain their company car fleet and, therefore, are not actively seeking to persuade employers to give up their cars."

There are other ways of minimising the tax burden.

One, in the short term at least, is for employees to keep their company cars if becomes four years old in the current tax year.

As an example, the car might have had a £10,000 list price in 1990.

Under the new list price scheme, it would qualify for a one-third reduction for tax assesment purposes.

Simply to replace that car with the same model, at a list price of around £13,000, would virtually double the tax bill.

However, there is more to the car versus cash equation than money itself.

Many company car drivers tempted by the cash option are likely to be dissuaded by the "hassle" factor of running their own cars.

For most company car drivers, service or repair is simply a matter of phoning for the car to be picked up and to be delivered back to their home or company.

Most private motorists face the dreary business of delivering the car to a garage, finding transport to work, making their own way back to the garage and, possibly, a long wait for a potentially unexpectedly heavy bill.

There are no insurance premiums to worry about – no longer a minor issue as a result of increased premiums thanks to soaring crime and accident rates.

Considerations like this perhaps help explain the cash take-up is so low currently.

The finding is not Wyatt's alone. Monks Partnership, in its own annual survey of companies' car policies, also found fewer than one in 10 drivers taking it up.

The small take-up is in spite of a near-doubling in the percentage of surveyed companies making the offer.

A plethora of rival price lists are being used by dealers. **Tony Bosworth** examines their merits

Multi-coloured swapshops

"We don't bet on the future and we don't predict the future values of cars," says Leslie Allen, director and managing editor of the motor trade's used car price bible, Glass's Guide, "because it really isn't possible to see what will happen in the future."

Try telling that to the growing band of companies doing exactly that – publishing rival price guides which claim to predict accurately the price of cars three or four years ahead.

The need for such information is clear. Leasing companies buying fleets of new cars want an idea of how much those same cars will fetch tomorrow.

"It's the whole basis of the leasing industry," says Colin McLean, chairman of the British Valuers, Rental and Leasing Association's leasing and fleet committee, "and clearly the biggest pitfall for lease companies is that they get the future values wrong."

But do the price guides get them right? Sometimes not, says Alex D'Adda, managing director of Evesham-based Leasecontracts, a mid-sized company which runs 12,000 cars for its UK-based clients. D'Adda has recently spoken out against price guides, citing what he believes are their vastly inflated future values for a number of diesel cars when compared with their petrol counterparts.

"How can one possibly believe, as CAP and Yellow Book are proposing, that a BMW 525TDS Touring model is going to be worth vastly more than the equivalent petrol model?", asks D'Adda.

CAP Monitor is published by CAP Nationwide Motor Research, based in Skipton, North Yorkshire, and is the brainchild of John Procter and John Nolan, two Yorkshire car dealers who set up the organisation in 1979 and still own it. Their first publication was the Black Book, brought out specifically to rival Glass's Guide. Like Glass's, it is a monthly publication which lists values for used cars. CAP has since launched similar books for different markets: Red Book for commercial vehicles, Green Book for motorcycles. In 1991, it launched Monitor, the publication which forecasts future values.

Glass's Guide was launched in 1933 and is claimed to be part of the oldest UK research body

CAP will not reveal its subscriber figures, though sales and marketing manager Joy Whittaker claims "most of the people who order Glass's also order CAP".

Glass's Guide was launched in 1933 and is claimed to be part of the longest running research organisation in the UK.

Today, Glass's Guide is jointly owned. Thomson Publishing has a 51 per cent share and the remaining 49 per cent is owned by Hemmings, a small publishing company. Glass's is the only price guide to have an ABC circulation figure; the most recent showed 47,000 subscribers.

More recently the Yellow Book joined the fray. Yellow Book is not a product from CAP as one might suppose, but was launched three years ago by motor industry research company Sewells International, which later sold it to consumer publishing group EMAP-Response.

Yellow Book's publisher, Bill Mason, says there are currently 300 subscribers, but adds that the figure is growing rapidly.

CAP's Black Book and Glass's Guide live and breed on today's information and, in the case of secondhand prices, this information comes from the trade. Glass's Guide relies mainly on a network of car dealers, auction houses and fleet managers, all of which feed prices realised in dealerships and auction rooms into the guide's headquarters in Weybridge, Surrey. Glass has six full-time editors, each conducting around 250 face-to-face interviews a month with people in the motor trade.

All the world's a market: a dealer bids via satellite television to an auctioneer in the Rotherham studio of Auction Vision, which claims to have run the first international car auction with this kind of technology

CAP – it stands for Current Actual Prices – has a team of 15 editors, former motor trade sales people. They receive price information from a team of 20 researchers, who travel up and down the country visiting dealers and auction houses and recording realised prices. This information is fed into CAP's computer, then published.

When it comes to future residual values, the job is not so straightforward, especially when a new car comes on to the market. How does one work out, for example, a Rover 600's future value?

"Our editors sit down and look at the car in detail," says Joy Whittaker at CAP, "and if it's a new car then they would compare it with an obvious rival. In the Rover's case, they'd compare it with the BMW 3-series, and would reach a projected future value based on this comparison. In cases where there is perhaps no direct competitor, they will take two or three rivals which are nearest and compare them all."

Yellow Book does things differently, obtaining its information from David Henley Systems, a systems and database company which has supplied information to leasing and fleet management companies for the past 10 years. Yellow Book turns to economist Professor James Morrell for additional price information.

EMAP-Response clearly sees a substantial market in price and cost information for fleet and leasing customers, a factor behind its recent launch of the awkwardly named TOPCALC system (Total Fleet Operating Cost Analysis), described as an independent guide to the life costs of vehicle fleets. This computer-based system can be used to call up information about any car, covering a range of 10,000 to 40,000 miles a year.

The system can give the total costs of the operating life of the car over any period up to four years, or they can be broken down into monthly and pence-per-mile figures. Additionally TOPCALC can supply details of car manufacturers' retail prices, fuel and maintenance costs, factory fitted options and, the big one, future residual values.

For the companies operating these price guides, it is a highly lucrative business. For example, Glass's 47,000 subscribers are said to pay a minimum annual fee of £125 for the monthly guide and £250 a year if they opt for the computer disk version. CAP charges £130 a year for its Black Book, which is as well known in the trade as Glass's Guide, and Yellow Book costs £274.

But how well do these guides do their job, and do they exert an influence on the market which is out of proportion to their ability and knowledge?

"There has certainly been a concern in the industry that CAP Monitor and Yellow Book try to predict, rather than forecast, and there is a difference," says Howard Thomas, operations director at Lease Plan, Europe's largest car leasing company, running more than 200,000 cars for clients.

"Obviously, because our whole industry is based on the final value of a car we purchase today, mistakes can be very costly indeed. I simply don't think some of the price guides have enough information to make some of the judgments they do.

"This is underlined by the cases where the rival guides sometimes show thousands of pounds difference on the same car. The reality here is that the motor trade pays in pound notes – they are the ones who realise the real value of a car."

Alex D'Adda at Leasecontracts says that he, too, has seen differences in the values of cars in the price guides, and it worries him. "We recently sold £2m worth of used company cars, cars whose residual value had to be worked out three years ago. We had to get it right. One per cent out, and we'd have been seriously out of pocket with obvious implications for our company and our clients. We have to put our money where our mouth is, the price guides don't have to do that."

The BVRLA is also concerned about the residual values of cars and is not content to rely on the price guides. Over the past two years, it has been building its own comprehensive database, taking confidential information from 28 of its most representative member companies on projected residuals, as well as realised residuals.

The results of the BVRLA Residual Value Survey are supplied to the 28 companies which contribute, giving them a good picture of trends in the industry. All other BVRLA member companies can receive the report for a small fee.

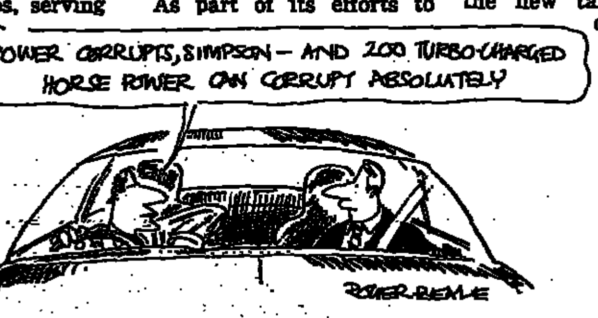
"We have to remember that it's always going to be very difficult to forecast three or four years ahead," says McLean, "and we also have to look at factors other than the car itself – for example, the likely inflation during that period, any changes in taxation, price of fuel, anything like that which could influence the final value. As far as the price guides are concerned, I don't feel that they exert too much influence in the market."

■ Operator profile: ASDA

Need before status

All the UK's big food retailers are finding their margins under pressure these days. This is leading to a renewed determination to keep down costs, including very often a re-think on company car policies, writes GARY MEAD.

One of the more determined approaches has been that of Asda, fourth-biggest of the supermarket groups, serving about 4m customers weekly. The company's fleet which in 1992 peaked at 1,250 units, is now down to just below 1,000 units. It leases all its cars because of tax benefits and "to avoid exposure to the risk on residual values".



According to Asda, the company is trying to get away from the notion of a company car being a status trophy, encouraging instead the view that it is a tool, to be given to executives according to performance and need. There are five levels of eligibility for a car within the company.

A car used to be given according to an executive's grade in the company hierarchy, but since June 1993 a new policy has been introduced which relates an employee's remuneration to performance and not to managerial position.

Asda says the "new flexibility has been very popular with car drivers". The policy gives those eligible for a company car a wide range of choice of make and brand, the only restrictions being for insurance reasons on "hot hatches", two-seaters or soft tops. Previously only a narrow narrow range of cars was available.

As part of its efforts to tighten cost controls Asda at the same time altered its policy on replacements. Where it was three years or 60,000 miles, it is now four years or 80,000 miles. The company says it encourages the use of diesels because of greater fuel efficiency. Individuals are offered the choice of a better model than he or she would otherwise be eligible for, if the choice is a diesel model.

Asda operates a single supplier policy and has used Avis for the past five years, though it does periodically put the business out for competitive tendering. It says that economies of scale, plus the ease of dealing with a single supplier, suits it better than having a range of different suppliers. Moreover, it has outsourced most of its fleet administration, with executives dealing directly with Avis on all matters relating to their cars.

The biggest issue concerns the new tax regime, and whether or not it is beneficial to drive a company car. So far only 20 Asda executives have decided to take up the cash allowance being offered instead of the company car.

The company has only been offering the cash offer for a year, and the offer can be taken up only when a car comes up for replacement, so it remains early days. The company says it expects the proportion taking up the cash offer to increase steadily. The allowance reflects the lease price, plus petrol and insurance costs.

Asda executives who do modest business mileage are becoming very sensitive to list prices when selecting their new car – a natural response in the circumstances.

VEHICLE FLEET MANAGEMENT 6

Rented and leased vehicles are increasingly likely to be stolen, says **Tony Bosworth**

Not all customers are honest

Such is the growing incidence of theft of cars in the UK that Avis staff are now taking photographs of people who want to rent their vehicles.

"We're using this system at high risk locations", says Avis Operations Director, Steve Maltby, "and we'd rather not rent to those who won't have their picture taken."

Maltby is also chairman of the security committee of the British Vehicle Rental and Leasing Association (BVRLA) and is concerned at the numbers of vehicles being stolen both in the leasing and daily rental sectors of the market.

"It's costing our members £125.5m a year", he says, "and when you consider that 60 per cent of the light commercial vehicles which are stolen are never recovered, and some 17 per cent of the cars are never seen again, you can see the scale of the problem."

Of the 1.2m cars run by BVRLA members, 3 per cent of the leasing cars and 3.5 per cent of the daily rental cars are stolen every year.

Interestingly, Avis carried out a simple test in its Northern Ireland operation which significantly cut down on theft. Of its 400 fleet cars, some 21 were fitted with an expensive engine immobiliser, while the others were supplied with a £16 steering wheel lock. Some of Maltby's colleagues scoffed at the garishly coloured lock, but his action was soon vindicated.

"Within two weeks, seven of the cars fitted with engine immobilisers had been broken into, but those cars fitted with the steering wheel lock were untouched.

"The point is, it's highly visible, so it's a deterrent to the petty thief, and he's usually the one who breaks into cars. He sees the steering wheel lock, he goes to the next car which isn't protected."

And thereby hangs the next problem. Many in the leasing industry believe that the car manufacturers and the government must do more to protect all vehicles from the criminal.

The actual theft of vehicles seems to be slightly slowing down, says Howard Thomas, operations director of Lease Plan, Europe's largest vehicle lease company, though thefts from vehicles are still very evident. "What annoys me is that today the anti-theft technology is proven, and it's relatively inexpensive, and yet some of the vehicle manufacturers are still not putting enough standard anti-theft equipment into cars." As an example, Thomas points to the number of cars which are fitted with a simple perimetric alarm.

"Some buyers haven't a clue what this really is", says Thomas, "and many come out of the showroom with the idea that it protects the car. But it only protects the doors, and perhaps the bonnet and boot. It does not stop the criminal smashing the window and reaching inside and taking whatever is in the car. With this sort of cheap alarm system such a theft doesn't even activate the alarm."

Thomas adds that a car's image also attracts the thief. "We get far more break-ins of BMWs than we do of Ford Mondeos or Vauxhall Cavaliers, though usually the theft is because there's a good in-car entertainment package there. What we like to see is a sound system which is built into the car, which forms part of the build of that car, so it cannot be taken out, and if it is, then it's of no use."

There had been important strides, for example the Vauxhall Astra where the radio's display was not part of the unit itself, but some manufacturers were still doing only half a job.

Take the new Renault Laguna. It had an easily stealable radio, which was not built into the car. "To us this is a distinct disadvantage." Thomas points to other cars where there are similar problems.

"The Citroen Xantia has engine immobilisation, which we see as a very important feature, but you cannot get it on the diesel models, the best sellers in the Xantia range."

This is a view echoed by others in the industry. As Steve Maltby points out, "the car manufacturers are generally doing more, responding to pressure from government as much as anybody else, but one of the sad things is that while they are increasingly putting security of all types in their most up-market models, there are generally less anti-theft measures across their ranges. Whether somebody is paying £6,000 or £60,000 for a car he should be entitled to a decent level of security. Car manufacturers who are not supplying anti-theft across their ranges are not supplying a proper service to the customer."

Ford, now considered by many in the industry to be at the cutting edge of anti-theft technology, disagrees.

"We have alarms on all of our models as standard, with the exception of the four-wheel drive Maverick", says Ford's Don Hume, "and all of our Fiestas and Escorts now come, as standard, with the transponder key, each of which has a one in 10 trillion start code programmed into it. Without the right key it's not possible to start the engine."

But Ford also still fits perimetric alarms to many cars, rather than a full ultrasonic system. That said, Ford is testing a tracking device which can tell a control room where a specific car is at any time.

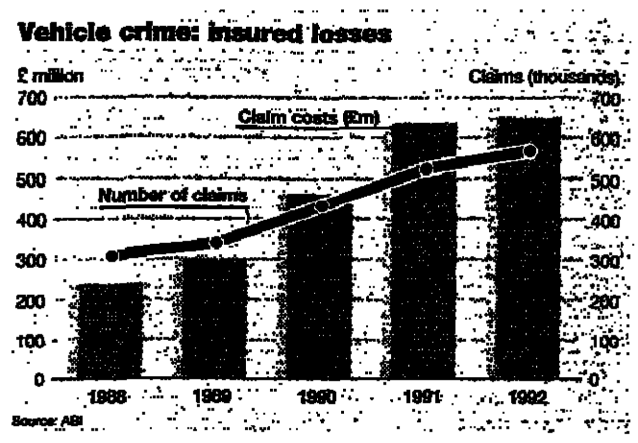
A similar device is used by Swindon-based Datatrak who can track stolen vehicles, directing the police to them, wherever they are. This system has proved especially useful to safeguard valuable freight.

There are other advanced systems being tested by police forces throughout the country. One of the most interesting is a device which couples a transmitter in the hire car with a receiver fitted into police cars.

Should the car be stolen, the police could not only track it, but once they got close enough they could activate the receiver to slow down the stolen car, stopping it safely, and then presumably arresting the thief. If on-going tests are successful and the system gets Home Office approval it could be fitted as standard on some expensive cars next year.

In tandem with their own tracking device, Ford is also continuing to experiment with satellite tracking. This system would ensure that at any given time the car could be pinpointed – within seconds – wherever it is in the world.

Clearly anti-theft technology will continue to improve, but caution is required with some of these devices. Three years ago a British company developed a system which locked the thief in the car. That is not always a good idea.



Insurance rates have peaked, says **Richard Lapper**

Time for a breather

Buyers of motor fleet insurance have faced significant increases in their costs in the last three years.

In response to heavy theft and accident losses on motor fleet business and after suffering their worst overall losses in the history, in 1991 and 1992 the UK's biggest insurance companies increased rates sharply and reduced their exposure to motor fleet insurance.

However, there have been signs recently that rates are beginning to fall as competition returns to the market.

"Rates are holding at present levels or if anything getting cheaper," says Mr David Ney, executive director of Willis Corroon Risk Management, the risk management arm of the the insurance broker.

Royal Insurance, one of the country's largest composite insurer, which imposed rate rises of 24 per cent in 1992 and 15 per cent in 1993, said its rates remained flat at the beginning of this year.

And at Lloyd's, underwriters say rates are dropping. "There are definitely lower rates around. The prices at which business is being underwritten is tending to fall," says Mr Martin Gibbins, underwriter for Wessex Motor Policies at Lloyd's, part of the Wellington Group.

Mr Gibbins cautions, however, that the picture is uneven and that on average his group renewed most policies at the beginning of this year with small increases.

Although there has been some reduction in theft claims, partially reflecting the introduction of security devices by many fleet managers, drivers of company cars are still more likely to have an accident than drivers who use their own cars.

Mr Ney says that accident frequency rates of 60 per cent, in which six drivers out of every 10 insured have an accident, are typical for motor fleets, compared with 20 to 25 per cent for private motorists.

Mr Ney cites some examples of accident frequency rates of more than 100 per cent.

So why is fleet insurance becoming cheaper? One reason is that a number of new insurers are chasing business.

Mr Gibbins says that up to a dozen Lloyd's syndicates are now "dabbling" in motor fleet business, compared with five or six syndicates underwriting the business last year.

In addition, a number of companies who treated motor fleet business with "disdain" a year ago are now rediscovering their appetite for the class.

Mr Ney suggests that rate competition in the personal motor market, which has been fired by the growth of direct telephone-based companies such as Direct Line, Churchill and The Insurance Service, is now "bleeding through to the fleet market".

The implication here is that companies who are losing significant portions of the personal market to their more technologically advanced competitors are compensating by bidding competitively to win motor fleet business.

> The direct phone-based personal insurers are now tackling the fleet market

General Accident, the Perth-based composite, scaled back its involvement in the market for larger fleets last march. Mr Nigel Lister, the company's assistant general manager (UK), says he believes competition is now returning to the market, making the class less viable than it was a year ago and confirming his company's pessimistic assessment of the class. GA is concentrating its efforts on becoming a market leader for mini or small fleets of up to 25 vehicles.

GA carried out a detailed study of the market over the past 17 years and came to the conclusion "that at the end of the day there is nothing anybody will be able to do unless the whole market says it cannot write risks at these rates," explains Mr Lister.

Mr Lister says that GA's operating ratios (claims plus expenses as a percentage of premiums) were among the best in the market, indicating that marketwide losses in the class are inevitable. "There are always a few companies who think they have got it right. The whole thing shifts gears, moves sideways and just trundles along in the same old way," he says.

"It is the same old merry go round. I'm absolutely convinced that nobody is going to make money on large fleets."

Mr Lister says that one of the main difficulties faced by motor fleet underwriters is the long tail of liability claims, a problem which has become more acute since most bigger fleets usually limit their insurance to third party coverage.

Companies says Mr Lister is assessing its premium rates on the basis of a claims history stretching back only three years. Yet many of the heaviest claims can take up to five years to crystallise.

The implications of this rate competition could undermine efforts by insurers to make fleet managers more safety and security concious.

Mr Gibbins says that even in current market conditions there is still scope to press policyholders to introduce alarms, immobilisers and transponders to their vehicles. Transponders, small electronic tag devices embedded in the body of cars and lorries, allow the police to track the whereabouts of stolen vehicles.

However Mr Lister and Mr Ney are less optimistic. Mr Ney says: "Forward thinking companies are always going to embrace risk management but for many the motivation to improve risk is financially driven. If premium costs fall, it makes the benefits of driver testing less attractive."

General Accident introduced an arrangement which offered discounts for fleet managers who sent their drivers on approved training courses, but Mr Lister says that take-up was limited.

"In a surprising number of cases we just got a blank look. People would say 'we just can't afford to have a driver off the road'."

Many people were just not interested "despite all the hype", added Mr Lister. These companies that practise risk management are "shining beacons. They are very conspicuous indeed."

مكتبة الاعلام

VEHICLE FLEET MANAGEMENT 7

At 25 per cent of UK sales, diesels may have reached saturation point, says **Richard Feast**

Now most manufacturers are at it

Demand for diesel passenger cars in the UK has been rising continually since 1990. The helter-skelter ride may now be slowing, but it has irreversibly changed the shape of the country's car market.

A decade ago, when diesels were bought by eccentric afficionados compelled to count every penny, they barely rose above 1 per cent of the UK market. Now they account for a quarter of all new cars sold.

That, though, is roughly where they will remain, according to market leader Ford. "The potential is there for a little more, but to some extent it will be restricted by availability," says Ford.

The dramatic overall trend in favour of diesels is accurately mirrored in fleet sales – those classified by the Society of Motor Manufacturers and Traders as over 25 units. Both fleet and retail diesel sales were up by around 70 per cent in the opening two months of this year, compared with a total market gain of just under 18 per cent.

Indeed, the early movement to diesel was largely led by fleets, whose hard-nosed managers were under pressure to cut costs. "We used to make a saving of £1,000 per car per year," reports one fleet manager responsible for 1,100 cars. "It's not as much as that now, because residuals [trade jargon for re-sale values] are not as good, but we still make a saving of £400 on each car on fuel alone."

In round terms, a diesel engine is 25 to 30 per cent more economical than an equivalent petrol-engined model. Diesels tend to be more reliable and long-lived too, according to Hertz Leasing.

Ford is spending £90m at Dagenham to lift output of turbo diesel engines to 1,650 a day.

As a result, resale values are higher, though the sheer numbers coming on to the used car market as a result of the boom have softened prices. Supply and demand probably means the end of really high resale values for diesels, though few expect the advantage to be eroded completely.

But the UK spurt was not entirely driven by costs. Other important factors spurred the growth. The latest crop of high speed car diesel engines is very much more refined. They are quiet, smooth and powerful compared with older technology diesels. Citröen has a turbo diesel ZX which it would pit against any hot hatchback with petrol power.

Increasing the sophistication of engines was accompanied by a trend to make the cars in which they are installed much more appealing to customers. The days are long gone when diesel power was used only in no-frills economy models like taxis. Trim and equipment levels on offer today are similar to those of petrol cars. Now, for example, there are top level Ford Mondeo Ghias and Range Rover Vogues with turbo diesel power.

At the same time, diesel models no longer carry such large price premiums over petrol, although Audi's advanced direct injection turbo diesel is considerably more than its petrol equivalent. The moves by Citröen and Ford are much more representative. Those companies have opted for price parity between diesel and petrol for their Xantia and Mondeo models.

These developments so broadened the appeal of diesels that they have resulted in enormous changes to the UK car market.

While overall new car demand plunged from the 2.3m peak in 1989 to 1.59m in 1992, diesel sales grew in each of those three years by an average of about 19 per cent. When total demand picked up last year by 9 per cent, diesel sales shot ahead by almost 70 per cent. More diesels were sold last year than in the previous two years combined.

Even so, car makers were somewhat surprised by the strength of the development in the UK, where, unlike in many European countries, there is little difference between the pump prices of diesel and unleaded petrol.

But with UK diesel demand solid, and Europe's faltering sales recovery under way, car companies are going to need all the diesel engines they can manufacture in order to hold on to market share. Companies without a strong diesel line-up are bound to lose out.

That is why Ford is investing £90m at its Dagenham factory to lift output of its latest 1.8-litre turbo diesel from the present capacity of 1,350 a day to 1,650. The unit, introduced in the second half of last year, is crucial to Ford.

Japan has lagged over diesel cars, but is now bowing to demand from Britain and Europe

Fitted to Mondeo and Escort, it has taken the company from fourth in the diesel car pecking order to No.1.

General Motors, Vauxhall's parent company, is putting £200m into a new diesel unit at its manufacturing complex at Kaiserslautern, Germany. It will start production late next year, and be capable of producing 250,600 units a year.

Meanwhile, GM is buying diesel engines for its European cars from its Japanese affiliate, Isuzu. In addition, it has just started sourcing larger diesels from BMW for the new Vauxhall Omega which goes on sale this month.

Not that the diesel phenomenon is restricted to the large volume manufacturers. Even leading prestige car makers, whose wealthy customers are less influenced by the economics of diesels, are reporting good demand.

One in every eight new Mercedes-Benz sold in the UK last year was a diesel. Practically one in five BMWs sold in the country so far this year is a diesel.

The trend puts certain competitors at a disadvantage. Jaguar and Saab, for example, have traditionally eschewed diesel power, and are thus unable to take advantage of the present boom. But ignoring a quarter of the market cannot be done over the long term.

Similarly, Japanese companies in the past have put little effort into car diesel technology. Those policies were influenced by the absence of any diesel customers in Japan and the US, where Japan does far more business. But with Britain and the rest of Europe demanding diesels, that is having to change.

Lessors rely on the lure of the company car, says **Martin Derrick**

More powerful than money

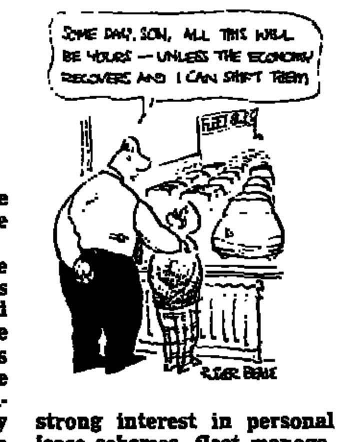
Like everything else involved in the business car market, contract hire and leasing specialists can only wait and see how the company car will be affected by the tax changes which took effect this month.

Scare stories have been circulating in recent months suggesting that thousands – if not tens of thousands – of company car drivers would turn in their keys and demand a cash alternative when they found how much extra tax they would be paying from April 6.

But it appears that the cash versus car debate was a bogus one, fuelled by accountants keen to sell reports and services at inflated prices. While some companies may consider offering employees an alternative to the company car, the vast majority have not been unmoved. They reason that if they increase salaries to a level which allows the employee to buy and run the same car as he previously enjoyed as a company driver, the cost to the business will be prohibitive.

Despite tax changes – including increases in certain instances – the company car remains a tax-efficient means of remuneration for all except the small percentage of perk drivers doing fewer than 2,500 miles a year and enjoying the benefit of an expensive company car.

Mr. Gary Spellins, sales and marketing director at Lex Vehicle Leasing, the UK's contract hire market leader, with a fleet of 56,000 vehicles, says that the new tax regime will encourage more employees to concentrate on the capital cost of the car in future, but the effects, if any, will not be seen for another couple of years. Companies cannot change or take back all their business cars overnight, so if there are to be changes in the sort of cars that employees choose, we'll see this when the normal time comes to replace current vehicles."



The changes he expects are that a proportion of drivers will turn to smaller and cheaper cars in order to reduce their own tax burden. He does not expect the contract hire and leasing market to contract. "The market is broadly very stable," he says. "All we have seen in the last couple of years is a slow down in the frequency of changes of cars – but the number of vehicles on lease or contract hire has remained a very steady 30 per cent of the total company car market."

That market last year was 740,000 new cars delivered to fleets and this year he expects a modest increase to possibly 760,000.

But although the market size seems to be constant, the range and kind of services demanded of contract hire and leasing companies is changing. According to Geoff Cobley, managing director of Fleet Marketing Services, while most enquiries in the first quarter of this year were for contract hire, there is also strong interest in personal lease schemes, fleet management/maintenance, and insurance claims management.

Contract hire is back at the top of the inquiry tree, he says, because companies which held on to cars through the recession are now more confident and are ordering new cars.

As far as personal leasing goes, in the last six months FMS executives say they have spoken to 160 big fleet operators about this scheme in face to face interviews. Geoff Cobley sees it as potentially a big force in future contract hire business, but others are less certain that the market is truly ready for private leasing.

"We have developed a private leasing product but we won't launch it until there is primary demand in the market and it's not there yet," says Mr Spellins.

"At the moment, considerable interest is being expressed in outsourcing, a system whereby the contract hire company takes over virtually all the running of the fleet on behalf of the company. Not all our customers, however, want this. Our job is to deliver what the customers want in the way in which they want it delivered."

Contract hire and leasing companies are finding they need to provide ever higher levels of service while at the same time keeping costs to a minimum – because price competition is rife.

The consequences of over-ambitious price competition – usually achieved by gambling on re-sale values three years down the line – can be seen from time to time in the collapse or take-over of a contract hire company – including a number of well-publicised examples.

But, says Mr Terry Nunn, chairman of the British Vehicle Rental and Leasing Association (BVRLA), there is no sign of any dramatic changes in the market.

"Though there must be one or two companies in difficulties acquisitions and mergers are running at normal levels. This is a very mature market and for the most part its players are mature businesses. And they are currently enjoying a definite pick-up in the market," he says.

Lex's view is similar. As the biggest player, it enjoys economies of scale and it can also afford to invest in the most sophisticated systems and technology – for example, 60 per cent of all the vehicles it acquires are bought on-line and the company also has on-line links with all its big fleet customers.

But, says Mr Spellins, despite these many advantages over smaller companies there is little prospect of Lex or Cowie Interleasing – the only other contract hire company of Lex's size – enjoying anything like a monopoly.

"Well-managed companies will continue to increase their market share but not by much, because our customers seem to believe contract hire is a commodity product and so often individual contract decisions come down simply to price. Some companies are finding that sourcing their whole fleet through one contract hire company has significant cost savings in terms of the internal economies that can be made through dealing with a single source, but with over 500 contract hire companies in the market – and the fact that it is very easy to start up a new business in this sector – price competition is here to stay."

M&S has switched to outsourcing. **Kenneth Gooding** learns why

Third party benefits

Mr David Dennis, compensation manager for Marks & Spencer, has explained why one of Britain's leading retail groups decided to make changes in the way it handled its fleet of 1,200 company vehicles.

"The company car is an extremely important benefit. But it is more than just the provision of wheels.

"It is the total service that matters, the removal of hassle over such things as maintenance, replacement and so on." By moving to out-sourcing, he says, "we've taken a big step forward to enhance this benefit".

Out-sourcing is the latest buzzword in the vehicle fleet management business. This is when a company delegates all its fleet management to a specialist third-party, eliminating the need for dedicated in-house support personnel.

"Put quite simply, it is one nominated contract hire supplier managing all the other suppliers to that customer. So all invoices for monthly rentals, excess mileages, or whatever, are controlled by the nominated supplier, who then provides the client with one consolidated invoice for auditing," explains Mr Neil Pykett, managing director of Cowie Interleasing, the UK's biggest vehicle contract hire company. Cowie have the Marks & Spencer out-sourcing contract.

He said: "We replace the client's software with our own and his people with our people. Although based at our head office, they answer the phone in the client's name. The benefits are that the client has only one set of invoices to auditand we free his own staff to concentrate on other, perhaps more important, core activities."

Out-sourcing is the latest buzzword in the vehicle fleet business

Mr Dennis said there were two main reasons why M&S moved to out-sourcing: to reduce the administrative burden, of course, and to shorten the communication lines between the company car driver and the people providing the day-to-day service.

No longer does the driver have to contact the M&S fleet department and then wait while it contacts the car supplier. "With the new arrangements, the driver rings Cowie and gets an instant answer in most cases." M&S was already running its company car fleet "ridiculously efficiently," according to Mr Dennis. It had a fleet manager with one assistant. Staffing remained the same after the change to out-sourcing, but the fleet manager had other jobs to do, such as looking after group travel arrangements.

There are four women at Cowie devoting their entire working time to handling the M&S fleet. Previously M&S had its cars on four-year contract hire from three suppliers, including Cowie.

The other two companies are still responsible for maintaining their vehicles but liaise with Cowie. Mr Dennis says that M&S will continue with a second company car supplier – Kenning Leaseline – which will have about 15 per cent of the total business "to maintain a competitive element and to provide us with market intelligence."

Out-sourcing is not suitable for every company, according to Mr Colin Grant-Wilson, managing director of Lease Plan UK. He told a recent meeting of the Institute of Directors that there had to be "an out-sourcing culture" within the company moving to this style of management. "It is risky to go into out-sourcing for the first time with the company car. The skills required are different."

Companies thinking of out-sourcing their fleets had to make careful preparations, insisted Mr Grant-Wilson. "It has to be got right from the start. You have to ensure that you have identified all the elements and have negotiated with a supplier exactly what you expect from him."

According to the British Vehicle Rental and Leasing Association (BVRLA), the most recent survey of its members' fleets showed that the "notable trend towards the concept of out-sourcing" has helped contract hire and contract purchase increase their shares of the available market. This is because these two methods of company car acquisition incorporate a high degree of fleet management support.

Contract hire involves a rental agreement at a fixed price and for a fixed term which is not usually less than two years. The supplier, or lessor, retains ownership of the vehicle and takes all the risks, including resale. The vehicle's user, or lessee, is buying a service, and therefore does not show the vehicles on its balance sheet. The contract may or may not require the lessor to provide maintenance or other support services.

The disadvantages of contract hire include inflexibility, higher cost to compensate the lessor for the finance provided, excess mileage charges for exceeding contractual mileages and early termination policies which can be restrictive and costly.

BVRLA says that, as contract hire is longer-established than contract purchase, it has been experiencing slower growth. Contract purchase, however, showed a 35.2 per cent growth among BVRLA members in 1993, "testament to its greater acceptance among vehicle users, increased awareness of its benefits, an enhanced confidence in its legal foundation and the higher number of fleet cars costing more than £12,000 for which contract purchase is a more tax-efficient means of acquisition."

Contract purchase involves the provision of vehicles under a funding arrangement that is not a lease, but an agreement to purchase whereby the vehicle supplier agrees to buy back the fleet at the end of a fixed period for a pre-determined sum.

The risks of ownership are therefore transferred to the supplier, although the fleet must be shown on the user's balance sheet. The supplier may also provide maintenance and other support services with the vehicles.

BVRLA's research showed that the the rise in contract purchase's popularity caused a drop in the use of finance leasing and fleet management.

VEHICLE FLEET MANAGEMENT 8

■ TEST DRIVE REVIEW OF THE 1994 OFFERINGS FOR FLEET PURCHASERS

Biggest is not always best

STUART MARSHALL finds little to choose between the best new medium size models and says they are challenging big executive cars for heavy business use

Look at the models now available and a message comes through loud and clear – the business driver looking for comfortable, reliable and mile-eating personal transport no longer needs a big executive car.

Having driven all of the latest crop of medium-sized cars on offer to fleet buyers or user-choosers, I reckon they are the equal of vehicles the next size up in everything but bulk.

Prominent among these comprehensively equipped and moderately priced cars are the Audi 80, BMW 3-Series, Citroën Xantia, Ford Mondeo, Honda Accord, Mazda 626 and Xedos 6, Mercedes-Benz C-180, Mitsubishi Galant, Nissan Primera, Peugeot 405, Renault Laguna, Rover 600, Saab 900, Toyota Carina E, Vauxhall Cavalier, Volkswagen Passat and Volvo 850 SE 2.0.

And which are the pick of this very extensive list? That's hard to say because, by any sensible standard, they are all very good cars indeed.

The BMW 3-Series and Mercedes-Benz C-180 are the only ones conforming with what was once the classic concept of in-line engine and rear-wheel drive.

All but one of the others have front-wheel drive and transversely mounted four-cylinder engines. The sole exception is the five-cylinder Volvo.

In the Audi 80, Ford Mondeo, Renault Laguna, Saab 900, Vauxhall Cavalier and VW Passat, there is a V6 option for those who feel happy with a medium-sized car only if it has a multi-cylinder engine of at least 2.5-litres capacity.

Comparisons really come down to a matter of personal whim.

For example, any of the cars will amble along at speeds far in excess of the British motorway speed limit of 70mph (112 kmh), which the Department of Transport admits is broken by 56 per cent of drivers.

At 100mph (161 kmh) they still have power in hand – although increasingly tough police action against speeding makes this an academic matter.

All are power-steered as standard. Most have ABS brakes, driver and, in some cases, front passenger airbags and doors reinforced against side intrusion.

Automatic transmission is universally offered as an option. Air-conditioning is part of the package with some upmarket versions of these cars, such as the Renault Laguna, and can be had as an extra on any of them.

Only the Saab 900 and Volvo 850 are exclusively petrol-engined. For my taste, the car with the best ride, and which at its price is the best turbo-diesel, is the Citroën Xantia. I also rate its spaciousness for rear passengers highly.

The Rover 600 has a more distinguished interior than its cheaper mechanical clone, the Honda Accord. Mondeo is Ford's best car for years – the least expensive 1.6-litre is more refined than the 2.0-litre and I find the estate car body more attractive than the saloon or hatchback.

Though built on a Vauxhall (Opel) Calibra platform, the new 900 is a genuine, dyed-in-the-wool Saab. The Renault Laguna, newly arrived in Britain, feels like a scaled-down Safrane.

Some of the C-Class Mercedes-Benz interiors are not to my taste but in every other way the new car is an improvement on that benchmark among compact business cars – the former 190E. Its ultra-smooth, four valves per cylinder diesel versions are stayers, not sprinters.

For sheer get-up-and-go, the BMW 325TDs is unrivalled among diesels but it sells for £6,000 more than the most upmarket Xantia VSX. Among larger business cars, the latest, more firmly sprung Jaguars seem to have gained in agility while being as refined as ever.

Equally appealing are the 3.0-litre and 4.0-litre V8-engined BMW 530 and 540. So, for that matter, are the sepulchrally silent Mazda Xedos 9 and the sportier Toyota Lexus GS300.

The Ford Granada/Scorpio and Rover 800 are beginning to show their age but the top models in particular are still agreeable to drive. The new Vauxhall (Opel) Omega replacements for the Vauxhall Carlton and Senator go well enough to win business away from Granada/Scorpio.

Whether these excellent new cars will be able to seduce status-conscious user-choosers out of their BMW 5-Series and Mercedes E-Class remains to be seen.

At the bottom of the market the small-is-beautiful, or smaller-is-acceptable, rule can also be applied.

Ford's latest Fiestas are vastly improved and now have optional ABS brakes and power-steering.

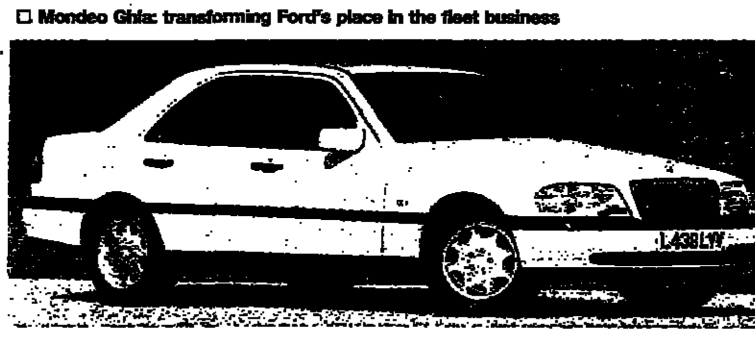
The even more compact Peugeot 106 range, with much admired refinement and handling, is soon to be expended by the 1.6-litre engined, power-steered luxury Gentry and sporty XSi versions.

I rate the Escort/Astra sized Peugeot 306 and mechanically similar Citroën ZX highly. And Fiat's new Punto is good enough to set a cat among the pigeons in the sub-Ford Escort size class.

□ Rover 620i: outselling Honda's Accord version

□ The Xantia: helping Citroen to a record UK market share

□ Mondeo Ghia: transforming Ford's place in the fleet business



□ Mercedes-Benz's C-series: revived challenge to BMW's 3-series

□ Peugeot 405: UK production phased out, at least temporarily

Alan Bunting studies trends in truck making

Long-life engines keep the costs down

Trucks bought seven or eight years ago are only now being replaced

For many of Britain's road transport operators, fleet renewal is being considered for the first time this decade. Vehicle replacement programmes which were effectively frozen in 1990-91 as the recession took hold, are now being reinstated.

Trucks bought in 1986/7, which in normal times would have been traded in two or three years ago, are only now being replaced. Some of the long-haul 38-tonners among them have 800,000 kilometres (500,000 miles) of fleet service behind them.

Received wisdom has repair and overhaul costs of heavy chassis rising unacceptably beyond about 500,000km. But the recession's enforced stretching of service life by 60 per cent or more has brought some pleasant surprises. Fleet engineers have become aware of the remarkable improvements in durability, as well as in day-to-day reliability, achieved by commercial vehicle and component manufacturers.

Thanks to new, often computer-aided, technology, vital components are giving less trouble and lasting longer, while proving at the same time more efficient. Heavy-duty diesel engines built by companies such as Volvo, Cummins and Mercedes bear witness to a progressively greater understanding of why engines wear and fail and how to slow down ageing.

Remarkably, those demonstrable improvements in life and quality have been achieved by engine makers who, at the same time, have had to meet the technical challenges of ever tougher legal exhaust emission limits. The regulations now effectively limit consumption of lubricating oil, which if allowed to get past the pistons or valves into the combustion chamber is burned, adding to particulate (soot) emissions.

DAF, Mercedes, Cummins, Volvo, MAN and Scania are now offering engines which meet so-called Euro 2 emission laws some 2½ years ahead of the October 1996 deadline. By so doing they score environmental "Brownie points", though there are more commercial motives at work. In Holland and Germany financial inducements encourage the purchase of Euro 2 compliant trucks ahead of time.

Some of these "cleaner" trucks are being offered in the UK, but the price premium, of £1,500-plus, is expected to deter all but the most public-spirited or image-conscious buyers.

For the truck industry's diesel engineers, the competitive challenge is not so much to reduce pollutant emissions to regulated levels, but to do so with the least possible effect on fuel economy and performance.

Volvo's new-generation FH12 chassis, introduced last year, powered by the first European-designed engine with full electronic injection control, is already showing its meanness on fuel against key rivals. The latest technically-similar Cummins Celect engines, built in Scotland and fitted in ERF, Foden and now DAF chassis, are also proving to be significantly more economical than their non-electronic predecessors.

Evidence of new technology is apparent in other benefits for fleet operators – and their drivers. For example, gearshift systems have in the past five years become a more critical area of competition between truck manufacturers. In the 1980s, the choice was straightforward: between American-style constant mesh, which called for driver skill, and continental syncromesh which demanded strength from the driver's arm.

But transmission development has moved on apace, with gear changing made easier in skill and strength senses by the proliferation of compressed air-assisted but electronically-controlled shifting. Life is made easier for the driver, and the electronics block the kind of potentially gearbox-wrecking changes caused by inexperience or carelessness.

All the systems seen so far feature conveniently-placed finger-tip switches, replacing manual "brute force" gear levers.

But from the driver's standpoint, the Eaton, Mercedes, Scania and Volvo systems' shifting techniques vary considerably. If you can handle one, it will not help you to cope with the others. A degree of training – or at least familiarisation – is needed to be sure of fast, smooth shifting, both up and down through the box, in different road and traffic conditions.

Transfleet, the Lex Group truck rental company, has recently commissioned a batch of new 38-tonne trucks equipped with Eaton's SAMT (semi-automated mechanical transmission) for its London-based spot hire operation. A finger switch on the steering column effects gear changes and clutch release and re-engagement is automatic other than for starting away and stopping.

Tough plastics are replacing steel for bumpers and other parts

Even in the hands of drivers who, by definition in a rental operation are an unknown quantity, premature gearbox and/or clutch failures have largely been eliminated. The timing of shifts remains in the driver's hands, so he can practise traditional anticipation in the light of changes in gradient or traffic conditions ahead.

As a result, fuel consumption is not adversely affected, as it tends to be with fully-automatic transmissions, either of the familiar torque converter-based type or more recent derivatives of manual boxes.

Though their numbers are declining, many truck buyers in Britain reflect the still prevalent attitude among their North American counterparts, of deep suspicion about new technology in general and electronics in particular. They equate technical simplicity in a truck with reliability and are reluctant to specify "new fangled" equipment until it has proved trouble-free – in someone else's hands – for some years.

They nevertheless welcome less newsworthy but evolutionary change in vehicle specifications. Better corrosion resistance in cabs is an example. New tough plastics are now widely employed instead of steel for bumpers, wing valances and other non-structural parts, with Mercedes and Fiat's Iveco truck division leading the way. Elsewhere, galvanised steel is now widely used for load-bearing cab panels exposed to moisture and salt spray.

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